

Versace: Victim No. 5?

Police Suspect Homosexual Prostitute Sought by FBI as a Grisly Serial Killer

Compiled by Our Staff From Chicago Press

MIAMI BEACH — The first victim, a 28-year-old former U.S. Navy lieutenant, was found wrapped in a rug in a loft apartment in Minneapolis, his head bashed with a claw hammer. The second victim, a 33-year-old architect, was found in an hour's drive north, shot once in the head.

The third victim was a 72-year-old Chicago real estate tycoon, found in the garage of his town house, his throat slashed with a saw blade, his chest stabbed with pruning shears and his head wrapped in masking tape with a breathing hole left at the nostrils.

The fourth victim was William Reese, the caretaker of a New Jersey cemetery, found shot to death in the burial ground.

Now, federal investigators believe that all four deaths — and a fifth, the fatal shooting Tuesday of the 50-year-old Italian fashion designer Gianni Versace — were the work of a single killer already on the FBI's 10-most-wanted list, a man who Wednesday was the object of a search in Florida and across the United States.

The suspect is Andrew Phillip Cunanan, a 27-year-old fugitive who has been described by police, acquaintances and his mother as a homosexual prostitute who caters to wealthy men. The FBI said he did not know all of his apparent victims.

Jim Chambliss of the Florida Department of Law Enforcement said there was "a certain possibility" that the killer was still in the Miami area, evading a "massive manhunt." More

than 200 calls had been logged on a police hotline created to seek the public's help. "We want to take him off the streets as quickly as we can," he said.

After the Versace shooting, witnesses led police to a parking garage near the designer's home where a man fitting the description of the suspect was seen. There, police found a red Chevrolet pickup truck that investigators said Mr. Cunanan stole from Mr. Reese. Clothing under the truck fit the description by witnesses of the killer's clothes, police said. One witness said the man changed clothes in the truck, then hailed a taxi.

Without Gianni, what's in store for the Versace label? Page 2.

Asked Tuesday night to describe the fugitive's modus operandi, Paul Philip, the special agent in charge of the Federal Bureau of Investigation in Miami, seemed taken aback. "He kills people," Mr. Philip said.

"We've been actively looking for him since April," he said. "Everybody's at risk. Everybody's got to help us put this guy in jail."

The police chief of Miami Beach, Richard Barreto, said the shooting of Mr. Versace outside the gates of his Mediterranean-style mansion — twice in the back of the head at close range — was not a random act.

Mr. Versace was gay, but investigators said they did not know of any

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A New York trader watching the Dow Jones industrial average leap above a key milestone in the first half hour of the Wednesday session.

Dow Index Vaults Over 8,000 Barrier

Technological Gains Fuel Rise Of 24% in Average So Far in '97

By Mitchell Martin
International Herald Tribune

NEW YORK — The Dow Jones industrial average crossed the 8,000 level for the first time Wednesday, a milestone that brings the gain in blue-chip American stocks to a stunning 24 percent this year and reflects a growing U.S. economy in which technological advances apparently have helped bring inflation out of the system.

The Dow has doubled in less than three years, and the value of shares in the U.S. stock market is now about \$10.65 trillion, accounting for about half the traded equity in the world, according to Birinyi Associates Inc. in Greenwich, Connecticut. At the start of the decade, U.S. stocks were only worth about \$3 trillion, although some of the rise in recent years reflects non-U.S. companies listing their shares on American markets.

The rise of the Dow through 8,000 was almost anticlimactic, as the average has flirted with that milestone for two weeks. More notable have been the strong gains in the Nasdaq composite average, which comprises many of the major technology companies that are traded on the over-the-counter system. Technology shares were slumping earlier in the year, so even though it has risen 30 percent since early April, the Nasdaq average's gain for this year is only about

The Dollar			
New York	Wednesday @ 4 P.M.	previous close	
DM	1.7914	1.792	
Pound	1.6787	1.6795	
Yen	115.82	115.45	
FF	6.0504	6.0475	
The Dow			
Wednesday close	previous close	change	Wednesday @ 4 P.M.
+63.17	8038.88	7875.71	
S&P 500			
Wednesday close	previous close	change	Wednesday @ 4 P.M.
+10.79	938.56	925.77	

22 percent, trailing the Dow and the broadest of the major stock gauges, the Standard & Poor's 500, which has increased 26 percent.

An illustration of the increasing role of technology companies in the financial markets was the fact that Microsoft Corp., whose software is found on most personal computers, was worth \$175.4 billion in late trading, behind only General Electric Co., which has a market capitalization of \$241.5 billion. Microsoft's stock rose more than \$9 a share to \$148.4375, allowing it to eclipse Coca-Cola Co. for the No. 2 position, even though Coke's stock also rose.

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UN Chief Unveils Proposal To Revamp Organization

Plan Seeks Deputy, Cabinet and Streamlining

By Barbara Crossette
New York Times Service

UNITED NATIONS, New York — Secretary-General Kofi Annan announced Wednesday that he intends to sweep away a United Nations management system accrued over more than half a century and significantly restructure the organization's administration from the top down.

Gone would be the cumbersome arrangement under which more than two dozen fiefdoms within the secretariat and the organization's autonomous agencies all had direct access to the secretary-general. In its place would be a cabinet of fewer than a dozen top officials with enhanced powers in major areas of activity.

A deputy secretary-general's position would be created. A Department of Disarmament would be reinstated and a strengthened human rights office would get a role in top management, Mr. Annan said.

Mr. Annan, who presented his plan to a special General Assembly session Wednesday morning, is gambling that his plan has enough streamlining and cost-cutting to pacify the U.S. Congress and yet pays adequate attention to the demands of poor nations that could use their majority to block changes that many believe have been forced on the organization by industrial countries.

Saying that "the United Nations is not working as it should," Mr. Annan pledged to begin "a quiet revolution" that would make the organization more efficient without reducing its ability to

have an impact in a wide range of areas.

"In return I ask of you, and of the world, that you judge us not only by the cuts we propose or by the structures we change," the secretary-general said. "Judge us instead — and judge us rightly — by the relief and refuge that we provide to the poor, to the hungry, the sick and the threatened: the peoples of the world whom the United Nations exists to serve."

Most diplomatic missions here and interested groups around the United States were seeing the completed plan for the first time Wednesday, since it has been written and rewritten many times over in the last week or two, amid gathering gloom in many quarters that the UN bureaucracy was watering down the proposal.

Initial U.S. reactions to Mr. Annan's proposals were mixed. In Washington, Senator Rod Grams, the Minnesota Republican who is chairman of the Senate Foreign Relations subcommittee on international organizations, said that "this meager package represents nothing more than the status, and that is unacceptable."

Bill Richardson, the United States representative to the United Nations, said in an interview after Mr. Annan's speech that the report "beats in the right direction."

"The general thrust, which improves efficiency, lowers cost and focuses on the core missions of the UN, are steps in the right direction," Mr. Richardson

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Jacques Santer unveiling proposals on Wednesday for EU reform.

EU's Struggle to Redefine Itself

Radical Reform, It Says, Must Pave Way to Eastward Expansion

By Tom Buerkle
International Herald Tribune

STRASBOURG — Opening what will probably be years of struggle to define the European Union's contours for the next century, the bloc's executive commission called Wednesday for a radical overhaul of EU policies, finances and governing procedures to prepare for expansion into Central and Eastern Europe.

"We have a historic opportunity, carrying with it profound changes," the commission president, Jacques Santer, said in formally unveiling the proposals before the European Parliament here.

The European Commission also explained its decision, made the day before, to recommend that the Union begin membership negotiations next year with only five of the former Soviet bloc countries seeking entry — the Czech Republic, Estonia, Hungary, Poland and

Slovenia. Cyprus has also been endorsed for membership talks.

In its most exhaustive analysis yet of the region, the commission said the five East European countries had made the most progress in implementing democratic and free-market reforms. But it cautioned that even they have a long way to go to bring their competition laws, environmental standards and transportation and energy networks up to EU levels.

The need for further substantial reforms in the candidate countries, as well as the prospect of stiff opposition from existing members to a reduction of their EU farm and development subsidies, indicated that the Union's enlargement will be a long and politically tortuous affair.

As Prime Minister Gyula Horn, speaking in Budapest, expressed hope that Hungary would join the Union by 2000, Mr. Santer saw the first expansion

in 2002 or 2003, while many EU officials privately suggested 2005.

The commission's proposals were welcomed by the five favored candidates, particularly Slovenia and Estonia.

After NATO's decision last week to limit its initial enlargement to only three countries, the positive recommendation from the commission "helps a little bit to repair the wounded Slovenian soul," said Boris Cizej, the country's ambassador to the EU.

In Estonia, Prime Minister Mart Siimann said the recommendation "gives us a new impulse" to anchor the former Soviet republic firmly in the West.

In Bucharest, however, Prime Minister Victor Ciorbea called Romania's exclusion "unjustified."

Turkish leaders also voiced their pique at being left behind Eastern Europe and Cyprus. Deputy Prime Min-

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Europe and U.S. Edge Toward Trade War Over Boeing

By Barry James
International Herald Tribune

PARIS — The European Union took a further step toward a possible trade war with the United States on Wednesday when antitrust experts representing member governments endorsed rejecting the \$15.5 billion acquisition of McDonnell Douglas Corp. by Boeing Co.

Boeing's vice president in charge of the negotiations, Richard Albrecht, flew back to the United States, leaving what was left of the talks in the hands of lower-level negotiators.

With both sides keeping silent about the substance

of the talks, there was no indication that they would achieve a breakthrough before the European Commission, which negotiates on behalf of EU member states, decides on the issue next Wednesday.

The antitrust experts from the 15 member countries urged the commission to keep the negotiations open. But they agreed with the commission's assessment that Boeing's proposals did nothing to "prevent a strengthening of Boeing's dominant position," an EU official said.

President Jacques Chirac of France said during a visit to Brussels: "We strongly support the commission on its position on Boeing/McDonnell," adding, "It

could be extremely dangerous for Europeans."

If it rules against the acquisition, the commission will be faced with the decision to put into action its threat to levy heavy fines against Boeing.

The United States already has warned the commission it will back Boeing to the hilt and will react to any European sanctions. Such a reaction could include an embargo on Europe's four-nation Airbus consortium or on hundreds of European companies that supply Boeing.

"If they're going to take sanctions against Boeing,

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What Price Free Markets? Japan Anxiously Builds Capitalism

By Nicholas D. Kristof
New York Times Service

TOKYO — Western-style capitalism is coming to Japan, raising tensions and eyebrows, upsetting plans and a way of life.

Obviously, the home of Toyota and Sony is not a communist country — though Japanese and foreign analysts have often pointed out parallels. But it is not really a capitalist country either, in the entrepreneurial, free-wheeling way of Western market economies.

As Japan searches for a path into the next century, the challenges of building a modern market economy — and the resulting anxiety — are disconcertingly similar to those in the former communist world. In Japan almost as much as in Russia

there is a consensus that the old economic and political system was ill-suited for the future, and that society must move several steps in the direction of American-style capitalism, but that this will be as painful as it is inevitable.

The Japanese economy is marked by a high degree of central planning, presided over by powerful bureaucrats confident that they can allocate resources better than the free market. Business is highly regulated and often collusive. The economy is biased toward producers rather than consumers, resulting in first-class steel mills and third-class apartment buildings. And in many cities, the economy seems closer to that of a 16th-century village than that of a modern capitalist country.

The anti-capitalist side of the economy is apparent in the back alleys of cities like Utsunomiya,

a sprawling warren of vegetable shops and noodle restaurants at the foot of the great mountains of central Japan. Resistance to the rough and tumble of the market in places like this is simply a matter of good neighborhood. Keiko Abe, a longtime resident of Utsunomiya, says she feels a strong sense of moral obligation — what the Japanese call *giri* — to buy from local shops, whatever the price.

"The elderly folks still try to buy from local shops, and the shop owners buy from each other," she said. "But young people don't feel that *giri*. They go wherever it's cheap."

These webs of *giri* in some ways reflect the very best of Japan, its civility and respect for others. A fundamental question for Japan is whether it can move to a more market-oriented system without disrupting the sense of community that for cen-

turies have been at the root of Japanese society. Some Japanese wonder whether capitalism will lead to layoffs, inequality, crime and a society that values wealth more than cooperation and social responsibility.

For all of the apprehensions about the future, Japanese society is virtually unanimous on the need for change — although there is debate about the pace. There is a remarkably gloomy consensus that the country has lost its edge, that it has been outmaneuvered by more creative and entrepreneurial countries like the United States, that it will be challenged in the coming decades by the booming economies of Asia and that unless it can restructure, its best days are behind it. But for the Japanese, the

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Cambodia Coup Leader Appoints Co-Prime Minister

By Keith B. Richburg
Washington Post Service

PHNOM PENH — Cambodia's foreign minister, Ung Huot, agreed Wednesday to become first prime minister, replacing Prince Norodom Ranariddh, who was deposed in a bloody coup this month and remains in uncertain exile abroad.

The surprise announcement by Mr. Ung Huot — who is backed by a dis-

sident group of Prince Ranariddh's fractured party — lends an air of legitimacy and international respectability to the rule of the second prime minister, Hun Sen, and underscores the prince's efforts to rally foreign backing for a return to power.

"I think it solves everything," said Dav Routeng, a top police official and a breakaway member of Prince Ranariddh's royalist party.

But most Cambodian analysts said they expected Mr. Ung Huot to be little

more than a figurehead, with Mr. Hun Sen maintaining near-absolute power behind the scenes.

"These days, and for the foreseeable future, I don't think he can refuse flatly what Hun Sen wants," said Lao Mong Hay, executive director of the Khmer Institute of Democracy. "He can get on with Hun Sen, and perhaps restrain Hun Sen a little bit."

"It's a good choice to get the international community to recognize the

new regime," he added.

After his troops routed Prince Ranariddh's outnumbered and outgunned forces during fierce fighting in the capital July 6, Mr. Hun Sen said his power play was not a coup since he intended to allow Prince Ranariddh's party to retain the top job and name a successor to the vanquished prince. With top officials of Prince Ranariddh's party either ex-

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Newsstand Prices

Bahrain	1,000 Din	Malta	55 c.
Cyprus	£ 1.00	Nigeria	125.00 Naira
Denmark	14.00 DKK	Oman	1,250 Rials
Finland	12.00 FIM	Qatar	10.00 Rials
Gibraltar	£ 0.85	Rep. Ireland	£ 1.00
Great Britain	£ 0.90	Saudi Arabia	10.00 R
Egypt	£ 5.50	S. Africa	£ 12 + VAT
Jordan	1,250 JD	U.A.E.	10.00 Dh
Kenya	£ 1.20	U.S. Mil. (Eur.)	£ 1.20
Kuwait	700 Fils	Zimbabwe	Zim. \$30.00



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The King of Frock 'n' Roll / Designer Who Caught the Moment

Without Gianni, Can Versace Survive?

By Suzy Menkes
International Herald Tribune

LONDON — Pick up any glossy magazine — say the current *Vanity Fair* with Princess Diana reclining on the cover — and you will find, in pole position, an ad for Versace.

The letters printed in sunshine yellow across the bare chest of a handsome young boy, or on a silhouetted hand weighed down with Medusa rings, are not "Gianni Versace" — the name of the designer who was gunned down at his Miami Beach home Tuesday.

Instead, the word is just "Versace." It is symbolic of the fact that the Italian company has already made the transition from designer label to brand and is therefore in a viable position to survive the death of its founder — providing the financial situation is sound and the rest of the close-knit family unit remains intact.

Although Versace without its bravura designer — and his exuberant personality, sound-bite quotes and rock-star entourage — might seem inconceivable, the company is facing in a brutal and public way the same dilemma that other fashion houses have surmounted and that many others will have to solve as time ticks away for an aging designer generation.

How can you have "Hamlet" without the prince? Can you persuade people to buy into a fashion universe when the king is dead, leaving only a logo behind?

The French houses of Chanel and Dior are examples of companies that were founded by high-profile designers and that have reinvented themselves as luxury brands following the deaths of their chiefs.

"Versace is confronting the same problem we had 40 years ago," said Francois Baufume, president of Christian Dior couture, referring to the eponymous founder's death in 1957 after just 10 years as a fashion leader. Every successful designer has to develop from creative force to label and then to the "ultimate stage" of turning products into a brand, Mr. Baufume said.

"It isn't easy," he said. "They will have to find someone to design for Versace and be very careful to position themselves — but it can be done."

DONATELLA Versace, 40, the designer's flamboyant, bottle-blond sister and muse, is the most likely candidate to take over, although no one can know how she will function without the brother to whom she was especially close.

Ms. Versace already designs the Versus collection, a subsidiary line, and in recent years, especially while Mr. Versace was battling a cancerous tumor in the ear, she shared the lime-light and even produced a signature fragrance, *Bloody*.

In the U.S. market, retail analysts have seen the power sharing as part of intelligent management by Santo Versace, Gianni's elder brother and business partner, aimed at establishing a global brand.

Rose Marie Bravo, president of Saks Fifth Avenue, said Wednesday from Orlando, Florida, that the company had a "shrewd strategy" and had already taken "all the right steps" to create a Versace look and build up a base of customers from Asia through South America who

"love what he stands for."

"The signature is so strong and consistent and there are so many product categories with the color and the sex appeal — and people are desirous of becoming part of that imagery," she said.

At Bergdorf Goodman in New York, which carries only the men's and women's Versace couture lines, not its secondary lines or ancillary products like homewares and jeans, Joseph Boitano, the store's executive vice president, said that the empire could withstand the current crisis.

"The name Versace has a very clear-cut image, and although Gianni was an integral part, they have already made the transition into a brand," he said. "Between the publicity, the retail positioning and the product, the situation is very strong."

HOW did an Italian boy from a simple southern Italian family, who founded his label in 1975, manage to build such an unassailable empire in such a relatively short time?

The answer is money — and hype. Mr. Versace was emphatically not the most creative designer of his generation. For most of the 1980s, when Giorgio Armani reinvented tailoring as an androgynous comfort blanket, Mr. Versace was vilified for his flagrant, hard-edged sexism. To the wife of an Italian ambassador to Paris, it was "La Moda Putana" or "hooker fashion."

Nor did Mr. Versace invent the fashion spectacular. A decade before him, in Paris in the 1970s, Kenzo had presented shows in a circus tent, and Thierry Mugler did so in a giant stadium.

But what Mr. Versace did was bigger and better than anyone else: His skin-tight leathers were softer, his sex-charged dresses silkier and his virginal high-heeled shoes glitzier. He used money — mysterious tons of it — to hire the best models and photographers and to buy the goodwill (or at least silence the murmuring doubts) of magazines in which he so conspicuously advertised.

Although the French designer Azzedine Alaïa was the first to put photographic supermodels on the runway, Mr. Versace owned the territory by the time he had bolstered their fees to \$10,000 a show. In 1991 he lined up top models including Naomi Campbell, Linda Evangelista and Christie Turlington in one memorable show.

Even if history told otherwise, Mr. Versace blithely rewrote it, claiming to be a best friend of Andy Warhol and part of the famous Factory scene, although in the 1960s he was a shy, fledgling Italy-based designer who spoke not a word of English. (Later he learned to converse fluently.) He aggrandized his mother's small dressmaking business in Reggio di Calabria, calling it a famous couture business servicing aristocrats of Italy.

In a recently published pocket history of Versace, Richard Martin, curator of the Costume Institute of the Metropolitan Museum (whose "Haute Couture" exhibition the company co-sponsored) quoted Mr. Versace as saying that his sister had shared black leather pants — as well as initials — with Diana Vreeland, the legendary *Vogue* fashion editor.

According to Katell le Bourhis, Ms. Vreeland's assistant at that time, Mr. Versace had sent her a pair of



Gianni Versace and his sister, Donatella, sharing the glory on the runway after a recent show, above, and Naomi Campbell modeling a Versace cocktail dress last week.

leather pants in homage but neither he nor his sister ever knew her.

THE myth-making was on such a gargantuan scale that it was impossible for an industry based on hype not to be along.

Gianni Versace's engaging personality made it seem perfectly normal for him to present himself at the same time as a king of rock 'n' roll, a connoisseur of modern art (he claimed that he bought his Picassos not from a gallery but from "the family") and the reincarnation of a Renaissance prince.

"I feel like a Medici," he said last month, standing on a podium in the Boboli Gardens in Florence, stretching out his arms in the crucifix position, as he was wont to do at the end of each show.

In his palazzo in Milan, he lived like a Medici, surrounded by classical busts and Renaissance paintings — yet lived at home on simple pasta every day at the family table.

Everything that Mr. Versace did was grist to the publicity mill. Or, as a British editor, put it: "If he has a cup of tea, I get a press release."

If the Versaces decide to look outside their immediate family for a replacement for a designer who had an instinct for catching — rather than creating — the fashion moment, they will find it hard to fill Mr. Versace's shiny, gilt-trimmed shoes. But there is one prerequisite in following in the



maestro's footsteps — or for wearing his clothes. "I like to dress egos," Mr. Versace said. "If you haven't got a big ego, you can forget it."

Rwandan Army Accused Of 'Widespread Atrocities'

U.S. Training Didn't Deter Killings in Congo

By Thomas W. Lippman
Washington Post Service

WASHINGTON — A three-year effort by the Pentagon to raise the standards and discipline of the Rwandan Army has failed to deter the Rwandans from "widespread atrocities against civilian populations in eastern Congo," according to a report by human rights investigators.

The report, by the group Physicians for Human Rights, was prepared for the House International Relations Committee on the situation in Congo, where last winter the Rwandan military engineered and helped carry out a successful rebellion against the government of what was then Zaire.

Defense Minister Paul Kagame of Rwanda has confirmed that his country's armed forces organized and supported the seven-month rebellion that ended the three-decade rule in Zaire of Mobutu Sese Seko and propelled the nominal rebel leader, Laurent Kabila, to the presidency. Mr. Kabila has renamed the country Congo.

Congo's new leader has sought to block investigations by journalists and human rights workers into atrocities that have been reported in the east.

The report by the Physicians for Human Rights said its three-person team that spent two weeks in Rwanda and Congo "received reliable reports that Rwandan military have committed, and continue to commit, widespread atrocities against civilian populations in eastern Congo. Reports of robberies, rape and attacks by English- and Kinyarwanda-speaking soldiers are numerous within North and South Kivu provinces."

Witnesses said the troops committing the alleged atrocities wore Rwandan military uniforms, the report said. The killings "appear to be systematic attacks" aimed at eliminating the threat to Tutsi-dominated Rwanda from the rival Hutu who fled into Zaire after the 1994 genocide in Rwanda, the report said.

The U.S. training of the Rwandans began after Mr. Kagame's rebel army seized control of the country and halted the Hutu slayings of Tutsi in 1994.

Defense and State Department officials said no U.S. military personnel participated in any way in the Zaire

campaign, but that small groups of U.S. Army Special Forces and other units have provided several forms of training to the Rwandans for some time.

A seven-member Special Forces team from Fort Bragg, North Carolina, is to leave soon for Rwanda to train officers to respect human rights and the role of a military in a democracy, a Pentagon official said, adding that the reports of atrocities was "an area of serious concern."

Kenya Leader Agrees to Meet Political Foes

Reuters

NAIROBI — President Daniel arap Moi of Kenya, faced with persistent demands for changes in the constitution, agreed Wednesday to meet opposition leaders next week.

But leaders of an opposition-backed campaign for reforms said Mr. Moi's talks with the leader of the opposition in Parliament on Wednesday and religious leaders on Tuesday were not enough to prompt them to abandon their pressure on the president.

Michael Wamalwa, leader of the parliamentary opposition, said Mr. Moi had 10 minutes of "cordial" talks with him on Wednesday and had agreed to a meeting between the government and opposition leaders next week, although an exact date was not set.

"We are not asking for a whole lot," he said. "We are asking for minimum reforms that will level the playing field so we can go into free and fair elections. The president seemed to be in the mood for dialogue."

Mr. Wamalwa leads the FOR-DE-Kenya party but is not on the National Convention Executive Committee, an alliance of opposition parties, human rights groups and other bodies demanding constitutional changes before a general election.

UN Condemns Israeli Building And Hints at Other Sanctions

By Barbara Crossette
New York Times Service

UNITED NATIONS, New York — For the third time in four months, the General Assembly has adopted a resolution condemning Israel for continuing to build housing in disputed territories.

The resolution asked Israel to identify products produced in those areas, with the intention of calling for a boycott. It also made a vaguely worded threat to Israeli rights within the United Nations. The resolution was approved, 131 to 3, with 14 abstentions. Only Micronesia voted with Israel and the United States against the resolution.

The action brought immediate criticism from Israeli and American envoys, who accused the General Assembly of reverting to the anti-Israeli crusades of the Cold War era.

Bill Richardson, the American representative, repeated Clinton administration criticisms of Israeli building of a housing complex called Har Homa on a site in East Jerusalem that Arabs call Jabal Abn Ghneim. But Mr. Richardson also called the threat to Israeli membership in the United Nations "a throwback to the ugly credentials challenges of past decades."

Netanyahu Complains

Prime Minister Benjamin Netanyahu dismissed the settlements issue Wednesday as a "red herring" and called on the Palestinians to negotiate it with Israel in place of stirring up world condemnation in the United Nations, Reuters reported from Jerusalem.

"There's so much happening in the world," he said. "There's fighting. There are wars. There is genocide. And this is what the UN has to do?"

TRAVEL UPDATE

Are Frequent Fliers Short-Seated?

WASHINGTON (AP) — The government is investigating whether U.S. airlines give customers enough information about limits on the number of seats that may be available under frequent-flier programs.

The Transportation Department asked nine major U.S. airlines for detailed information on their programs as part of an overall review of airlines' consumer efforts started in 1995.

Heat Wave Stifles U.S. Northeast

NEW YORK (Combined Dispatches) — As temperatures in the Northeast brush records, local governments are calling

for reduced use of air conditioners and lawn sprinklers and are warning the elderly and young to avoid outdoor activities.

In the New York area's first extended heat wave of the summer, the temperature hit 97 degrees Fahrenheit (36 degrees centigrade) in Central Park. At National Airport in Washington, the high was one degree shy of the record 100 degrees Fahrenheit. The air has been so polluted that the plane the University of Maryland uses to measure ozone levels could not take off Tuesday because of poor visibility. (WP, NYT)

U.K. Promotes Tourism Via the Web

LONDON (Reuters) — Britain inaugurated a 40,000-page Web site on Wednesday in an attempt to promote its tourist industry around the globe. Set up by the British Tourist Authority, the site gives Internet users access to a vast database of attractions, events and accommodation in England, Scotland and Wales.

The site displays picture-postcard style images of Britain's coasts, cities and countryside, as well as detailed maps and information on its fickle climate. The address of the site is www.visitbritain.com.

Tourists hoping to see Paris from the Eiffel Tower were locked out Wednesday after striking workers forced the monument to close, a tower spokeswoman said. The workers were angry about the firing of a colleague, she said, adding that she did not know how long the strike would last. (AP)

American Airlines said that losses due to competition from the three-way alliance of Sabena, Delta and Swissair had forced it to eliminate its daily flight from Brussels to Kennedy International Airport in New York, effective Oct. 1. (Reuters)

WEATHER

Forecast for Friday through Sunday, as provided by AccuWeather.

Europe				Asia			
City	Today	Low	High	City	Today	Low	High
Algeria	78/80	74/80	82/80	Amman	60/64	48/56	64/68
Amsterdam	58/62	54/62	66/62	Beijing	78/82	74/82	86/82
Antwerp	58/62	54/62	66/62	Bombay	82/86	78/86	90/86
Athens	78/82	74/82	86/82	Buenos Aires	78/82	74/82	86/82
Bangkok	82/86	78/86	90/86	Calcutta	82/86	78/86	90/86
Barcelona	78/82	74/82	86/82	Chengdu	78/82	74/82	86/82
Berlin	58/62	54/62	66/62	Colombo	82/86	78/86	90/86
Bombay	82/86	78/86	90/86	Hong Kong	82/86	78/86	90/86
Buenos Aires	78/82	74/82	86/82	Jaipur	78/82	74/82	86/82
Calcutta	82/86	78/86	90/86	Karachi	78/82	74/82	86/82
Chengdu	78/82	74/82	86/82	Kolkata	82/86	78/86	90/86
Colombo	82/86	78/86	90/86	Manila	82/86	78/86	90/86
Copenhagen	58/62	54/62	66/62	Medan	82/86	78/86	90/86
Dallas	78/82	74/82	86/82	Osaka	78/82	74/82	86/82
Dublin	58/62	54/62	66/62	Seoul	78/82	74/82	86/82
Edinburgh	58/62	54/62	66/62	Singapore	82/86	78/86	90/86
Geneva	58/62	54/62	66/62	Taipei	78/82	74/82	86/82
Helsinki	58/62	54/62	66/62	Tokyo	78/82	74/82	86/82
Istanbul	78/82	74/82	86/82	Ulaanbaatar	58/62	54/62	66/62
Karachi	78/82	74/82	86/82				
Kolkata	82/86	78/86	90/86				
London	58/62	54/62	66/62				
Los Angeles	78/82	74/82	86/82				
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Manchester	58/62	54/62	66/62				
Moscow	58/62	54/62	66/62				
Mumbai	82/86	78/86	90/86				
Nairobi	78/82	74/82	86/82				
Paris	78/82	74/82	86/82				
Prague	58/62	54/62	66/62				
Rangoon	82/86	78/86	90/86				
Riyadh	78/82	74/82	86/82				
Sao Paulo	78/82	74/82	86/82				
Shanghai	78/82	74/82	86/82				
Stockholm	58/62	54/62	66/62				
Taipei	78/82	74/82	86/82				
Tokyo	78/82	74/82	86/82				
Ulaanbaatar	58/62	54/62	66/62				
Washington	78/82	74/82	86/82				
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THE AMERICAS

Huang Saw CIA's Raw China Data

Officer Didn't Know Others Wanted His Access Restricted

WASHINGTON — The intelligence officer who provided John Huang with hundreds of classified reports on Asia told Senate investigators that he had never been told that the Democratic Party fund-raiser's boss in the Commerce Department wanted him "waited off" from matters involving China.

John Dickerson, the Central Intelligence Agency officer who was detailed to the Commerce Department when Mr. Huang worked there in 1994 and 1995, said Mr. Huang probably had been shown between 370 and 550 raw intelligence reports, mostly on trade and economic matters.

"He had an interest in China because that is where he came from," Mr. Dickerson said in a Senate deposition. "He is an ethnic Chinese and was born there, had worked in Hong Kong." Mr. Dickerson said that the level of Mr. Huang's interest in intelligence on China "might have been a bit bigger" than his interest

in some of the other countries in his area of responsibility for Asian trade.

In testimony Wednesday before the Senate Governmental Affairs Committee, Paul Buskirk, acting security director at the Commerce Department, said that in hindsight he regretted that Mr. Huang had received a top-secret security clearance without the usual background investigation having been conducted overseas.

"In hindsight, there was a rock that was not turned over," Mr. Buskirk said. Investigators have been tantalized by the access that Mr. Huang had to classified information, by his links with the Indonesian-based Lippo Group and its Chinese ties, and by the circumstances in which he received a top-secret security clearance at the Commerce Department.

The issue is being investigated because contributions to federal campaigns by non-U.S. companies are illegal, although U.S.-based subsidiaries of overseas companies may contribute to U.S.

campaigns from their net U.S. profits.

Senator Thad Cochran, Republican from Mississippi, disclosed that Mr. Huang had been recommended to President Bill Clinton's administration as a "must hire" by the Democratic Party.

Gary Christopherson, a former White House associate personnel director, testified that Mr. Huang had been treated as a "high-priority" hire because he was an Asian-American who could bring diversity to the administration and not because of his Democratic Party work.

"Even if he had never touched the campaign, he still would have been recommended for the position," Mr. Christopherson said.

In his Senate deposition, Robert Gallagher, Mr. Dickerson's White House boss, disclosed that at one point, Mr. Huang's superiors suggested he get a security clearance higher than top secret, something that would require an extensive background investigation, but that Mr. Huang did not want it.

POLITICAL NOTES

Last Word on Foster: Suicide, Starr Finds

WASHINGTON — "Mr. Foster committed suicide by gunshot in Fort Marcy Park, Virginia, on July 20, 1993."

That is the long-awaited conclusion issued by the office of Kenneth Starr, the independent counsel investigating the Whitewater affair, after an exhaustive investigation into the unexpected death nearly four years ago of Vincent Foster Jr., Mr. Foster, the deputy White House counsel, was a close friend of President Bill Clinton and his wife, Hillary Rodham Clinton.

Mr. Starr's office issued a brief statement, offering no details beyond the stark conclusion that Mr. Foster died by his own hand, after delivering late Tuesday what it described as a comprehensive report on his death to a special panel of the U.S. Court of Appeals for the District of Columbia Circuit.

Officials expect the court panel to make the report public after Mr. Foster's family and other interested parties have a chance to comment in its findings. (WP)

Clinton Will Battle Helms on Nominee

WASHINGTON — Setting the stage for a confrontation with the powerful chairman of the Senate Foreign Relations Committee, President Clinton has decided to go ahead with the nomination of the governor of Massachusetts, William Weld, as ambassador to Mexico, the White House said Wednesday.

Mr. Weld, a Republican, challenged Mr. Clinton publicly Tuesday to proceed with his nomination despite the opposition of the panel's chairman, Jesse Helms, Republican of North Carolina. Mr. Weld, who said he would accept no other position, was responding to reports the president might bow to pressure and nominate someone else for the sensitive post.

Mr. Helms has branded Governor Weld as soft on drugs, and has vowed to kill the nomination by refusing to



Secretary of State Madeleine Albright and Jesse Helms, head of the Senate Foreign Relations Committee, at a softball game of their staffs.

hold a committee hearing on it. "The president is going to stand up and fight for Governor Weld," the White House press secretary, Michael McCurry, said Wednesday.

Mr. Weld, a moderate, also took on Mr. Helms on Tuesday. Speaking at the Massachusetts statehouse, he said the senator's opposition had nothing to do with drug policies. "It has everything to do with the future of the Republican Party," he said. "In plain language, I am not Senator Helms's kind of Republican." (Reuters, NYT)

Accord on Medicare

WASHINGTON — President Clinton and Senate Republicans have agreed to work together on legislation to charge higher Medicare premiums to affluent elderly people, even though House Democrats and some liberal Democratic senators dislike the idea. At a White House meeting, Mr. Clinton and congressional leaders

from both parties said they would try to finish work this month on legislation to balance the budget and cut taxes.

"In principle," Mr. Clinton said, "I support means-testing" of Medicare. And he said more clearly than ever that he hoped to devise some arrangement to charge higher premiums to higher-income beneficiaries.

After the meeting, the Senate majority leader, Trent Lott, Republican of Mississippi, said, "We can probably find some agreement on means-testing for Medicare." (NYT)

Quote/Unquote

Mel Reynolds, a former Democratic representative from Illinois who is already serving a five-year sentence for having sex with an underage campaign worker, pleading for leniency before being sentenced to the minimum six and a half years in prison for bank fraud and campaign violations: "Who will take care of my babies?" (AP)

Army General Is in Line for Joint Chiefs

WASHINGTON — Defense Secretary William Cohen will recommend that General Henry Shelton of the army, who commanded the operation in Haiti in 1994, be the next chairman of the Joint Chiefs of Staff, a top official says.

General Shelton, 55, had been considered a dark horse to succeed General John Shalikashvili, whose second two-year term expires in September, but he emerged as the favorite after the initial choice, General Joseph Ralston of the air force, removed himself from consideration after it was disclosed that he had carried on an adulterous affair in the mid-1980s.

General Cohen will probably meet with President Bill Clinton this week to urge the nomination, the official said. General Shelton heads the U.S. Special Operations Command at MacDill Air Force Base in Florida, which oversees the army's Green Berets, the navy Seals and other elite special forces.

He was a platoon leader in Vietnam in 1966 and 1967 and earned numerous medals.

Cosby Reveals a Secret: Fling Cost Him \$100,000

By Benjamin Weiser
New York Times Service

NEW YORK — For more than 20 years, Bill Cosby said, he kept a secret: that he had had a brief affair with a fan named Shawn Thompson, who told him she had given birth to their child, Autumn, and that she had made threats to reveal their relationship unless he gave her money.

The entertainer, who built his career around his image as a loving and unerring father, denied that Autumn was his daughter.

But he told a federal court jury in New York City on Tuesday that he paid Ms. Thompson more than \$100,000 over the years to keep her quiet, and that he sent money for Autumn as well.

Then, late last year, Mr. Cosby said he began to get calls from Autumn Jackson, then 22. Ms. Jackson is charged with threatening that she would sell a story to The Globe, a supermarket tabloid, that she was the actor's out-of-wedlock daughter unless he paid her \$40 million.

Mr. Cosby testified that he had told his wife, Camille, about his affair 17 years ago, but that his real fear was that Ms. Thompson "would go public" and

damage his reputation. Prosecutors led Mr. Cosby through his career and what he called his emphasis on "the moral values" and "the family values" in his films, television work, books and even commercials.

The jury seemed rapt as he described being torn between his anger at Ms. Thompson and her constant demands for money — linked to implied threats that she would break her silence about their affair — and some sort of obligation to her daughter. He said he told Ms. Jackson several years ago: "Autumn, I am not your father. I will be for you a father figure, but I am not your father."

Judge Barbara Jones has excluded testimony on the paternity issue, ruling that it was irrelevant to the extortion case. But she has permitted the defense to try to show that Ms. Jackson believed she was the actor's daughter, as a way of explaining her actions in what she contends was a lawful negotiation of her rights.

In a new disclosure, Mr. Cosby acknowledged that he arranged to have a paternity test with Ms. Thompson and Ms. Jackson some years ago to clear up the issue. But he said he canceled the test because he feared that some "bounty hunter" would find out and "go to the tabloids" with the story.

Away From Politics

• A former Miller Brewing Co. executive in Milwaukee was awarded \$26.6 million — about three times what he had sought — by jurors who decided he did not deserve to have been fired for telling a female co-worker about a "Seinfeld" episode with a racy plot twist. Jerold Mackenzie was fired from

his \$95,000-a-year job in 1993 after he told Patricia Best about the episode and she complained. (AP)

• Video stores in Oklahoma City that lost copies of "The Tin Drum" in a police seizure want a federal judge to throw out a lower court decision that ruled the Oscar-winning film to be obscene. The Video Software Dealers Association, which represents the stores,

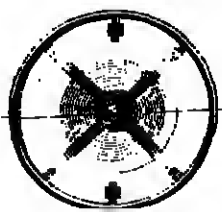
filed a class-action lawsuit that accused the Oklahoma City police department of conducting an illegal search and seizure on June 25. (AP)

• The number of death row inmates released from prison on the strength of new evidence has risen sharply in recent years, in part because of DNA analysis, a study released by an anti-death penalty group has found. (LAT)

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Legislature Votes Down Hong Kong Labor Rules

Lawmakers Named By Beijing Suspend 4 British-Era Acts

HONG KONG — The new legislature backed the territory's chief executive, Tung Chee-hwa, on Wednesday by striking down several laws protecting labor rights that were passed in the final days of British rule.

Members of the Provisional Legislative Council, appointed by Beijing, voted 38 to 9 to suspend four of seven laws that were enacted shortly before China took control of Hong Kong on July 1 and replaced the elected legislature.

Three of the four suspended laws concern labor rights and involve the right of unions to bargain collectively with employers on wages and benefits on behalf of employees and to use union funds for political activity. The fourth one deals with individual rights.

But the legislature refused to suspend two other labor-rights laws and another pre-handover law halting land reclamation in the Hong Kong harbor. The two labor laws that survived the vote increase compensation for victims of occupational deafness and declare May 1 a legal holiday.

Mr. Tung's administration had recommended that the seven laws be suspended through October to give him time to draw up new legislation. His government argued that the laws would harm Hong Kong's economic competitiveness.

Pro-democracy activists protested the vote, with some shouting at legislators at the start of the session and others later presenting a petition with 12,000 signatures to Mr. Tung's office urging him not to suspend the labor laws.

Lee Cheuk-yan, secretary-general of the Confederation of Trade Unions, said freezing labor rights meant "the death of rule of law in Hong Kong."

During the legislative session, Leung Kwok-hung of the April 5th Action Group stood up in the visitor's gallery and shouted: "The Provisional Legislature is a rubber stamp! Return the power to the people! Shame on the Provisional Legislature!" He was expelled by guards.



Members of the Democratic Party protesting Wednesday in Hong Kong against the repeal of labor laws.

BRIEFLY

Hong Kong Easier on Children

HONG KONG — Beijing and Hong Kong agreed Wednesday to allow more children who were born on the mainland to enter the former colony, a senior immigration official said.

But the Hong Kong immigration director, Regina Ip, said in Beijing that the two sides had not agreed on the size of the increase. In comments carried by Hong Kong media, she said the Public Security Ministry of China "will undertake an overall review" and "will come to a decision at the end of the year."

Hong Kong's Basic Law, the new constitution in effect since China resumed control of the former British colony on July 1, allows mainland-born children the right of abode if they have a parent with legal residency rights in Hong Kong.

Hanoi Convicts 5 as Terrorists

HANOI — Two people have been sentenced to death and three have been jailed for life on terrorism charges in southern Vietnam, an official said Wednesday.

The official at the Ho Chi Minh City People's Court said the five were involved in a grenade attack

in a city park in 1994 in which nearly 20 people, including 10 foreigners, were wounded. (Reuters)

Taiwan Extradites Hijackers

BEIJING — China said Wednesday that it would try two mainlanders who were repatriated from Taiwan after hijacking airliners to the island in the early 1990s.

The hijackers, who had been in detention in northern Taiwan, arrived by boat in the first such extradition across the Taiwan Strait. (AFP, Reuters)

Beijing Open to Rights Talks

BEIJING — China is ready to hold talks on human rights with any group as long as those discussions are based on mutual respect and equality, a top Chinese human rights official said Wednesday.

Zhu Muqun, who returned from a European trip that included the first meeting between Chinese officials and representatives of Amnesty International, said he expected an end to differences over human rights even though disputes could not be ironed out overnight. He is the president of the nongovernmental China Society for the Study of Human Rights. (Reuters)

Ramos Firm on Death Penalty

MANILA — President Fidel Ramos on Wednesday rejected calls by Roman Catholic bishops to block the execution of convicts on death row, saying the death penalty must be carried out.

Congress in 1994 passed a law restoring capital punishment for such crimes as murder, rape and drug dealing. Executions are to be carried out by lethal injection. The first will probably take place in the first half of next year, officials said. (AFP)

For the Record

An Indian judge investigating the world's deadliest in-flight collision said he had turned over his findings to the government. In November 1996, 349 people died when a Kazak jetliner approaching the New Delhi airport collided with a departing Saudi Arabian Boeing 747. (AP)

Korean Airlines was ordered to pay 136 million yen (\$1.19 million) in damages by a Tokyo court to the families of four Japanese passengers killed when a KAL jet was shot down over the Soviet Union in September 1983. (Reuters)

Jews Break Silence on Shanghai Era

Survivors Who Fled Nazis Recount Misery of Their Improbable Haven

By Henry Chu
Los Angeles Times

SHANGHAI — Ingrid Wilnot stopped eating apple cores just a few years ago. She had picked up the habit as a girl in this free-wheeling treaty port during World War II, when food and dignity were scarce among the Jews who had fled to China from the Nazi juggernaut in Europe.

They came by the thousands to the only city on Earth that would accept them without passports or visas — no questions asked. Shanghai, den of vice and iniquity, opium addicts and imperialists, was their improbable haven.

But in 1943, to appease the Nazis, the city's Japanese occupiers rounded up the newly arrived Jews into a ghetto. For two years, 18,000 Jews, most of them from Austria, Germany and Poland, battled squalor, fear and want in Hongkew, on Shanghai's northeastern fringe, half a world away from the Holocaust in Nazi-controlled Europe.

They fought diseases so virulent that even bananas and oranges had to be soaked in chemicals for an hour before being eaten. They sweated out rumors that they might all be deported without warning. They suffered at the hands of a capricious Japanese overseer.

Yet they nearly all survived to see the end of the war, a testament to human resilience — and to the fact that their Japanese captors, who brutalized the Chinese, were less monstrous toward the Jews, despite Nazi proposals to slaughter them.

"The conditions in Shanghai were terrible, but it was not Auschwitz," said Ms. Wilnot, who eventually settled in the Los Angeles area after the war. "So you have to be grateful."

Scholars are scrambling to preserve stories like Ms. Wilnot's and those of other Shanghai ghetto survivors.

After half a century of reluctance by many to speak out about the past, and limited access to records and material in China, a new urgency has taken hold to save a slice of history unknown even to many Jews.

Academics have begun collecting oral histories. Survivors are writing memoirs. Diplomatic ties between China and Israel, established only five years ago, have finally made scholarly exchanges possible between the two countries.

"It was always felt that anybody who was not in a concentration camp wasn't a true survivor," said Evelyn Pike Rubin, author of "Ghetto Shanghai," an account of her childhood in Hongkew. "And we in Shanghai felt that a little, too. I wrote my book because I felt it was a story of the Holocaust that's a little different — and that needed to be told."

For her and thousands of Jews who escaped to China, the story started Nov. 9, 1938, with the Nazi rampage in Germany known as Kristallnacht, when Jewish businesses were destroyed and synagogues burned down in one of the

Nazis' first pogroms. Terrified Jews began looking for a way out.

Word quickly spread that cosmopolitan Shanghai, even under its new Japanese rulers, placed no restrictions or quotas on Jewish immigrants.

Indeed, thousands of Jews were already living in Shanghai by the 1930s.

Sephardic Jews like the Sassoons and the Kadonries landed here in the mid-19th century, founding vast financial empires trading in silk, tea and opium. Decades later, Russian Jews poured in, on the run from political upheavals at home.

In early 1939, Heinz Joachim Cohn, then 12, watched as his father, Carl, sold the rest of his once-successful hat factory in Berlin and used the cash to buy

train tickets for his family to Italy. Then, with hundreds of other Jewish refugees, the Cohns boarded the Conte Biancamano in Genoa and set sail for Shanghai.

"It took four weeks to get to China," Mr. Cohn said.

Relief groups funded by American and local Jews met the new arrivals and processed them at Embankment House. Those without sponsors or relatives in Shanghai were shipped to one of several shelters across the city.

The dormitories teemed with more people than could fit. At the Ward Road facility in Hongkew, scores of men shared a single washroom, said Mr. Cohn, who spent five years there. Scarlet fever killed 100 people in the various shelters in 1939.

The luckier refugees had brought jewelry and furs to pawn or skills to put to immediate use, which enabled them to buy bouses and apartments outside Hongkew, a rundown district badly damaged in bomb attacks by Japan.

Some, like Ms. Wilnot, whose father had been an executive with Bally shoes in Vienna, settled in Shanghai's fashionable French Concession, with servants and spacious accommodations.

But most stayed in Hongkew, site of the future ghetto, relying on menial work or charity to eke out reduced existences. Mr. Cohn, barely in his teens, pulled in a meager wage mixing ash and water to mold into coal briquettes for stoves.

For a while, the refugee community thrived alongside the established Jewish enclave. Children attended British-run Jewish schools. Synagogues held services on Friday evening. There were Zionist youth groups, Jewish recreational clubs, musical and theater performances, dances, boutiques, kosher butcher shops and several Jewish publications.

"We had a wonderful life in Shanghai," said Michael Medavoy, 78, who had arrived as a Russian immigrant in the 1920s, and whose son, the movie mogul Mike Medavoy, was born in Shanghai.

But in 1941, after more than 15,000 Jewish immigrants had arrived in the previous two years — an influx that some Jewish relief groups had tried to stem for fear of overcrowding — the war in the Pacific broke out. Food was rationed and foreign aid to Jews was cut off.

In 1942, Colonel Josef Meisinger, the Nazi who had been in charge of the Polish ghetto in Warsaw when up to 500,000 people died or were deported to extermination camps, visited Shanghai.

He proposed that Japanese officials round up all Shanghai's Jews as they worshiped on Rosh Hashanah, the Jewish New Year, and set them adrift on barges to starve or ship them to a concentration camp to be set up on nearby Tsungming Island.

Exactly why the Japanese resisted? Colonel Meisinger's recommendations remain a source of debate.

Some say Japan still harbored a sense of gratitude to the Jews because Jacob Schiff, a prominent Jewish American, had lent Tokyo money in the 1904 Russo-Japanese War.

Others attribute it to a desire to use the refugees as a hedge with America, where the Japanese government believed Jews exercised great influence on Washington.

But the Japanese commanders did bow to continued Nazi pressure by ordering, on Feb. 18, 1943, that all recently arrived, undocumented refugees — which did not cover the Sephardic and Russian Jews who had come a generation earlier or more — move to the tiny ghetto in Hongkew within three months.

Starvation and contagion there killed 1,000 people, mostly elderly and infants, by the end of 1944, according to Pan Guang, dean of the Center of Jewish Studies in Shanghai.

"The Japanese had to do something because Hitler was an ally," Mr. Pan said.

When the war ended in Asia, many of the Jews in Hongkew expressed anger that they had not waited out the war in Europe. But when word of the Holocaust trickled to Shanghai, the enormity of what they had escaped filled the Hongkew Jews with a terrible sense of awe, relief — and guilt.

That guilt lingered for decades, resulting in years of silence after virtually all the ghetto survivors left China in the late 1940s, mostly for the United States and Israel.

Around the world, Hongkew refugees still gather for reunions.

"I have my life to thank to the Chinese people," said Mr. Cohn. "Because if it weren't for them, I wouldn't be able to tell this story."

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Top Seoul Court Overturns Same-Name Marriage Ban

The Associated Press

SEOUL — South Korea's highest court struck down a 14th-century law that prevented people with the same surname from marrying one another, ruling Wednesday that it was unconstitutional and outdated.

The decision affected an estimated 60,000 couples who live together but whose clan names had kept them from marrying even though there was no evidence of blood ties.

The law was written in 1308, when inbreeding was a concern because people lived in isolated villages for generations. It has had a major impact in a country where most of the 44 million people share a few dozen surnames. One out of every five people is a Kim — the most common name — while Lee and Park respectively are shared by about 15 percent and 8 percent of the population.

Calling the law unconstitutional and outdated, the Constitutional Court ordered it revised by the end of 1998. "The nation must allow people the freedom to marry those they love," said the lead judge, Kim Yong Jun. "The ban on same-name marriages violates the right to pursue happiness."

About 40 backers of the law picketed the courthouse, arguing that allowing same-name marriages would wreak havoc on South Korea's Confucian society.

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Nazi Gold:
Probe Shifts
ContinentsFiles Implicate Banks
In U.S. and CanadaBy Anthony DePalma
New York Times Service

TORONTO — Newly declassified American documents for the first time implicate the Federal Reserve Bank of New York and the Bank of Canada in Ottawa in attempts to launder tons of gold that the Nazis looted during World War II, according to the World Jewish Congress.

While the Federal Reserve Bank would not comment on the disclosures, the Bank of Canada, Canada's central bank, has begun an investigation.

Bank officials are searching for evidence that the Nazis used the bank to disguise the origin of gold confiscated from countries they occupied during the war. The bullion may also have contained gold taken from individual victims of the Holocaust.

Documents from the National Archives in Washington examined by the World Jewish Congress had exposed Swiss collaboration with the Nazis. But the new disclosures, made Monday by the World Jewish Congress, mark the first time the trail has been followed to North America, and raise both legal and moral questions about the involvement of Canada and the United States in the Nazi plundering of Europe.

"It is inconceivable to me that their gold experts were not aware of what was behind these transactions," Elan Steinberg, executive director of the World Jewish Congress, said in reference to American and Canadian bank officials. "We have moved beyond legalism, and whether by the strict sense of the law it was appropriate, to a moral and human dimension of whether it was proper."

The World Jewish Congress in New York has examined more than 14 million documents and has worked with Stuart Eizenstat, the undersecretary of commerce who directed a recent study of the Swiss handling of Nazi assets.

William Slany, the chief historian working with Mr. Eizenstat on the study, said he was not aware of the newly declassified documents concerning North American banks. But he said that after the Allies warned neutral countries like Portugal not to deal with the Nazis, there were attempts to disguise such transactions.

According to a Sept. 10, 1944, document from the American Overseas Special Services office (marked "from a very confidential source") that was declassified in January, the Portuguese central bank regularly bought gold that the Germans held in the Swiss National Bank.

In the transaction involving Canada, the Portuguese bought four tons of Nazi gold in Switzerland. The Swiss instructed the Bank of Canada to transfer to the Portuguese account the equivalent amount of gold that the Swiss held in Ottawa since before the war. Later two more tons were moved this way.

Mr. Steinberg said that the swaps involving the Federal Reserve Bank of New York were much the same. According to declassified documents, after Portugal bought 15.5 tons of Nazi gold, the Swiss National Bank wired the Federal Reserve Bank to move that amount from its account to the Bank of Portugal account.

"At no time did gold bars, some marked with the hammer and sickle of the Soviet Union or the symbols of occupied countries, actually cross the Atlantic," Mr. Steinberg said.

Despite warnings from the Allies, Portugal is believed to have traded freely with Germany. In 1939, Portugal had no gold on deposit with the Federal Reserve Bank of New York. By war's end in 1945, the Portuguese account in New York held 257 tons of gold, according to declassified documents from the U.S. Embassy in Lisbon.

U.S. Refuge for Bank Guard

The U.S. House of Representatives has approved and sent to the president a measure that would give permanent residency to a former Swiss bank guard harassed in his own country after rescuing Holocaust-era documents. The Associated Press reported from Washington.

The legislation, which President Bill Clinton is expected to sign, grants sanctuary to Christoph Meili, 29, his wife and two children.

Mr. Meili discovered in January that the Union Bank of Switzerland was shredding documents dating from the years before World War II. He secretly retrieved some of the material and gave it to a Jewish organization.

Mr. Meili was dismissed from his job after turning over the documents, and Swiss prosecutors are investigating him for possibly violating Swiss bank secrecy laws. He has been denied other employment in Switzerland and, after receiving numerous death threats, fled with his family to the United States.



The U.S. astronaut Michael Foale, left, and the Russian cosmonauts Alexander Lazutkin, center, and Vassili Tsibilyev conferring from the Mir station on Wednesday with the mission control center in Russia.

Mixed Signals on Mir Repair Mission

NASA Denies Russian Statement It Agreed to Train American

The Associated Press

MOSCOW — Russians officials said Wednesday that NASA had tentatively agreed to have a U.S. astronaut train for a delicate repair mission on the Mir space station.

But officials of the National Aeronautics and Space Administration said that no such agreement had been reached.

The Russians said the U.S. astronaut Michael Foale might be needed for the repair mission because the Russian cosmonaut who complained of heart trouble, Vassili Tsibilyev, was not fit to carry it out.

"We have tentatively agreed that the American astronaut and the Russian flight engineer will have a practice run on Monday, July 21," said the head

of mission control in Russia, Vladimir Solovyov. "Then, we'll make a final decision with our NASA colleagues on whether to carry out the space walk."

Repairs designed to restore full power to Mir, a mission twice delayed, are scheduled to begin July 24.

But NASA officials in Moscow and at the Johnson Space Center in Houston said they had not yet assented to Mr. Foale's taking part in the mission, and were still evaluating what would be expected of him.

For now, said Catherine Watson, a NASA spokeswoman in Moscow, "he can do some basic things, but no official simulations or the actual space walk — none of that's been approved by NASA yet."

Even if NASA does decide to let Mr.

Foale participate in the mission, Mr. Solovyov said Russian space officials would not decide until next week whether he would actually take part.

Mr. Foale began making routine preparations Wednesday, which included checking his space suit and studying documents, Mr. Solovyov said.

The two Russians on Mir — Alexander Lazutkin, the flight engineer, and Mr. Tsibilyev, the mission commander — were to carry out repairs to return the craft to full power after a collision June 25 with a cargo ship. But Mr. Tsibilyev, 43, has an irregular heartbeat, and Russian space controllers pronounced him unfit for the repair job, which is expected to take four to five hours, Mr. Solovyov said.

Russian Joins Roll of Defiant Astronauts

By William J. Broad
New York Times Service

NEW YORK — American space experts say they believe that Vassili Tsibilyev, the commander of the Mir space station, has been badly shaken by a series of space failures in recent months and is intent on avoiding a risky repair mission.

If so, they say, he joins a little-known roster of astronauts who have rebelled against Mission Control when faced with heightened risks or tensions in exploring space.

The earliest known instance of defiance was on Apollo 7, in October 1968. The goal of the 11-day flight, quite lengthy by the standards of the day, was to test the Apollo command and service module in Earth orbit as a preparation for landing men on the Moon.

The three-man crew was extraordinarily tense before and during the mission because it was the first manned American space flight after an Apollo capsule burned on the ground during a Florida test, killing three astronauts.

To confound matters, all three got

bad colds in orbit. No astronaut had ever had one in space before, and it made the commander of Apollo 7, Walter Schirra Jr., extremely testy.

He refused to do scheduled tests and carpentered mightily. He basically would not obey ground control, James Oberg, a Houston-based engineer and space historian, said in an interview.

The next rebellion occurred during the third manned mission to Skylab, a giant space station pioneered by the United States in 1972 after the successful lunar landings. The 84-day mission, from November 1973 to February 1974, set an endurance record and became extremely tense as astronauts fell increasingly behind schedule in doing ambitious tests.

Near the breaking point, the commander, Gerald Carr, told ground controllers that he and his crew were taking a day off, which they did with the radio switched off.

"We looked out the window, took showers and did that sort of thing," Mr. Carr said in an interview. He later negotiated a new schedule with ground controllers in which no work would be done after 8 P.M.

"We said, 'We want time off to

mess around,'" he added. "They acquiesced."

The last known rebellion was in June 1995 aboard the Mir station when two Russian cosmonauts, Vladimir Dezhnev and Gennadi Strekalov, were to conduct their sixth space walk in two months to inspect the outpost's solar-energy arrays. Tired and edgy, they balked, and ground controllers reluctantly canceled the work.

Mr. Oberg, the historian who is an expert on the Russian space program, said of the pair: "They were fined, in effect, for mutiny. They had to go to court to get their flight bonuses."

Mr. Oberg said he believes that Mr. Tsibilyev, commander of the Mir station, has heart irregularities but, more important, has been shaken by failures to the point that he is losing confidence in his ability to work safely and productively after a number of mishaps, including the crash on June 25 when a supply ship crashed into Mir.

Mr. Oberg said the Mir commander thinks the mission to repair the damage caused by the recent accident should be done by a fresh crew trained on Earth. "He may not see the urgency of it, and neither do I," Mr. Oberg said.

No Problem From French
In Bosnia, Americans Say

Paris Is Said to Back Raids on War Criminals

By Joseph Fitchett
International Herald Tribune

PARIS — Washington and Paris are both still committed to seeing NATO forces capture war crime suspects in Bosnia-Herzegovina, U.S. and French officials said Wednesday, playing down a published report that France objected to an allied plan for a second raid to capture Bosnian Serbs who have been indicted by the international tribunal in the Hague.

"Cooperation has been especially good on the issue of war criminals, particularly considering all the tensions we have with France on other alliance issues, and I haven't seen or heard anything to suggest any change," a White House aide said by telephone from Washington.

A French Foreign Ministry spokesman said that there was "no basis" for the allegation, contained in a New York Times report from Washington on Tuesday, that France had declined to support — as "too risky" — a second commando-style operation to seize high-ranking Bosnian Serbs.

The report suggested that the alliance was readying a follow-up raid near Pale, the stronghold of the Bosnian Serbs, on the heels of the capture of an accused war criminal and the killing of another on July 10 in northwestern Bosnia, where British troops lead the North Atlantic Treaty Organization's peace-keeping effort.

Pale would be a much larger challenge: It is the redoubt of the most prominent alleged war criminals among the Bosnian Serbs, including their former president, Radovan Karadzic. Any NATO attempt to seize him would probably encounter significant military resistance.

While the actual arrest would be carried out by special forces from NATO nations, the operation — with its risks of reprisals — could not be launched without the cooperation of the local peace-keeping forces, which are led by France.

The article in The New York Times quoted a senior U.S. official as saying that the French had "pulled back from their readiness to be an active participant" in the planned second strike and speculated that President Jacques Chirac of France might have become more cautious about a military setback in Bosnia after his party's disastrous defeat in parliamentary elections last month.

But American and French officials, expressing skepticism about the report, said Wednesday that France had not backed out of any scheduled operation or torpedoed prospects for further action in apprehending suspected war criminals, even heavily guarded figures like Mr. Karadzic.

In weighing such actions, officials said, NATO's key considerations included the probability of success in capturing suspects with minimal civilian casualties; the likelihood of being able to deter Bosnian Serb retaliation, and the value of any specific operation in destroying the power base of the hard-line leadership epitomized by Mr. Karadzic.

The increased U.S. pressure on the issue of war criminals has coincided with a power struggle inside the Bosnian Serb Republic pitting Mr. Karadzic and his supporters, notably Momcilo Krajisnik, the Serbian member of Bosnia's three-member presidency, against Biljana Plavsic, the woman who succeeded Mr. Karadzic as the Bosnian Serb president and the only leader in her ethnic community who advocates closer compliance with the Dayton peace accords.

U.S. officials have made no secret of their desire to help Mrs. Plavsic if it can be done without exposing her to accusations that she is a U.S. puppet ready to undermine the Serbian cause. A possible way to bolster her position, officials said, is international action to arrest her key opponents — like Mr. Karadzic, who is portrayed by U.S. officials as a man who has parlayed his civil war leadership into a postwar racketeering and smuggling empire.

Any move to capture Mr. Karadzic would require an active French role, and U.S. officials in Washington and in Europe, without providing specifics, said that bilateral consultations about the possibility seemed to be proceeding.

"It's a very sensitive channel, with only two NATO commanders in the loop," the White House aide said, "but certainly everything I've heard suggests that both we and Paris see a need to go further."

Mr. Chirac has consistently prodded NATO to be bolder in Bosnia.

The Clinton administration has tried to avoid any risk of U.S. casualties, with Congressional leaders repeatedly warning against any expansion of the NATO mission in Bosnia that could make American troops a prime target for reprisals.

Recently, however, political pressures have mounted on President Bill Clinton for stronger action ahead of NATO's planned withdrawal from Bosnia next year. A bipartisan group of prominent U.S. politicians, including Bob Dole, the defeated presidential candidate, said this week that the United States should take the lead — and casualties if necessary — in hunting down Bosnian war criminals while NATO still has 31,000 troops in the country.

U.S. Soldier
In Serb Area
Is Stabbed
With a Sickle

Reuters

SARAJEVO, Bosnia-Herzegovina — A U.S. soldier was stabbed in the shoulder in Serbian-controlled territory in Bosnia-Herzegovina on Wednesday by a man wielding a sickle, the NATO-led peace force said.

The stabbing, near Tuzla, was the first direct attack on soldiers in the peacekeeping force since troops conducted a raid last week seeking two Serbs indicted for war crimes. One of the suspects was killed in a firefight, and the other was captured.

The U.S. soldier suffered minor injuries and was treated at an American military hospital, a spokeswoman for the NATO-led Stabilization Force said. He was attacked from behind after he went outside his living quarters to investigate a noise, the spokeswoman, Sergeant Mitzi Plumlee, said.

"He has been released and returned to his unit for duty," she said by telephone from the U.S. base in the northeastern town of Tuzla. The stabbing followed three bombings in three days apparently aimed at international monitors in Bosnian Serb territory. No one was injured in the blasts, but the violence raised concerns about a possible nationalist backlash over the raid last week.

The Bosnian Serb authorities have expressed outrage over the action.

BRIEFLY

Jospin and Chirac Spar

PARIS — In one of the first open spats of their forced political marriage, President Jacques Chirac and Prime Minister Lionel Jospin sparred Wednesday over their political roles.

Mr. Jospin, whose leftist coalition took power in France last month, used a weekly cabinet meeting to lecture Mr. Chirac on their respective prerogatives as spelled out in the constitution, a spokeswoman for the government said.

Mr. Chirac started the verbal scrapping Monday by criticizing some of Mr. Jospin's economic and industrial policies in a television interview on Bastille Day. On Wednesday, Mr. Chirac reasserted his right as president to criticize the government.

Spanish King Assails ETA

MADRID — King Juan Carlos added his voice Wednesday to the outcry in Spain against the Basque organization ETA, denouncing its guerrillas as contemptible terrorists for their killing of a young Spanish politician.

"His murder was as contemptible as the terrorists who killed him," the king said in Berlin in a speech broadcast on Spanish radio.

A leading Basque nationalist politician said Wednesday that ETA had committed political

suicide with the killing of Miguel Angel Blanco, 29, adding that while many Basques shared the dream of an independent homeland, they were repudiating ETA after the attack. (Reuters)

Flood Damage Control

WARSAW — Poland's prime minister addressed Parliament on Wednesday to defend his government's response to disastrous floods.

"This flood, which cannot be compared with anything in the past, has not thrown us on our knees," Wlodzimierz Cimoszewicz said.

Deputies began the gathering with a moment's silence for at least 39 people who have died and hundreds of thousands whose homes and livelihoods have been wrecked. Mr. Cimoszewicz said the damage was incalculable. (Reuters)

A New Leader in Ukraine

KIEV — Valeri Pustovoitenko, a political pragmatist and close ally of President Leonid Kuchma, was confirmed as prime minister of Ukraine by Parliament on Wednesday.

He won the support of 226 deputies, just attaining the absolute majority he needed in the 450-seat chamber. Addressing the chamber, Mr. Pustovoitenko said that Ukraine would stay on the track of economic reform. (Reuters)

Despite Glitches,
Pathfinder Enjoys
Another Stellar Day

Los Angeles Times Service

PASADENA, California — The Mars Pathfinder lander continues to be plagued by computer problems that have slowed communications with distant Earth to a crawl, even as its tiny robot rover sniffs the chemical composition of the rocks around the landing site.

Glen Reeves, the flight software engineer who leads the team analyzing the problem at the Jet Propulsion Laboratory, said he was confident the recurring glitch that forces the lander's computer to reset itself during data transmissions could be solved.

So far no data have been lost. And what's more, Tuesday "was an excellent day on Mars," according to the Pathfinder project scientist, Matthew Golombek.

Sojourner, the six-wheeled rover, spent the day analyzing a rock that mission scientists nicknamed Yogi. Preliminary data suggest the rock is much more primitive and, perhaps, more Earth-like than other portions of the Martian landscape.

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Herald Tribune
THE WORLD'S DAILY NEWSPAPER

INTERNATIONAL

U.S. Arms Sales in Gulf Risk Being Eroded by China and Others

By John Lancaster
Washington Post Service

KUWAIT — After U.S.-led forces drove Iraqi troops from Kuwait in 1991, this country and other Gulf allies showed their gratitude by spending billions of dollars on American weapons. But U.S. arms merchants no longer can take their wealthy customers for granted: Kuwait is considering the purchase of long-range howitzers from China.

Kuwait's potential purchase of 72 Chinese-made self-propelled howitzers instead of what were widely considered to be superior American, British and South African versions has raised eyebrows among U.S. defense contractors and prompted a personal appeal to Kuwaiti leaders from Vice President Al Gore.

Kuwaiti officials assert publicly that they have not made a final decision and will do so only after each model has been thoroughly evaluated on the basis of cost and performance. In private, however,

they say they may end up buying the Chinese weapons for reasons that have nothing to do with range, price or accuracy and everything to do with politics.

Eager to gain a foothold in one of the world's richest arms markets, China has hinted that it will withhold its support at the United Nations for extending trade sanctions against Iraq if Kuwait does not agree to the estimated \$300 million purchase, according to Western diplomats and a senior Kuwaiti official who spoke on condition of anonymity. China is one of five permanent members of the UN Security Council — along with the United States, Britain, France and Russia — which votes on the renewal of the sanctions in October.

"Sometimes you get to a state where you feel you're being blackmailed," the senior Kuwaiti official said. "We lean toward the U.S. equipment, but we have to find a way to please the Chinese and not upset them in the Security Council."

The United States is not the only weapons supplier in the Gulf. France and Britain have long been major competitors here. Kuwait has bought armored military vehicles from Russia, tanks from the former Yugoslavia and patrol boats from France.

The Gulf War, however, gave the United States a competitive edge. Arab nations in the U.S.-led coalition that drove Iraqi invasion forces from Kuwait were impressed by high-tech American weapons and grateful for U.S. leadership during the crisis.

American officials also have been successful in persuading Gulf allies to buy weapons compatible with those that would be used by American troops in the event of another conflict in the region.

The partnership has been a profitable one for the United States, the largest weapons exporter in the world. Since 1990, the six nations of the Gulf Cooperation Council — Saudi Arabia, Kuwait, Qatar, Bahrain, the United Arab

Emirates and Oman — have signed contracts for \$36 billion worth of American arms — 32 percent of the \$110.8 billion in U.S. arms exports over the same period, according to an analysis of Defense Department figures by the Washington-based Arms Control Association.

But as memories of the Gulf War fade, U.S. defense contractors have begun to face growing competition from abroad, especially in the realm of such less sophisticated weapons as howitzers and armored vehicles, as Arab allies diversify their suppliers for political and economic reasons.

The U.S.-based Lockheed Martin Corp., for example, is competing fiercely to sell as many as 80 long-range strike planes to the United Arab Emirates in a deal worth about \$6 billion. Despite a personal appeal in 1995 by President Bill Clinton to President Zayed ibn Sultan al-Nahayan, officials of the emirate said in March that they were seriously considering two European offers.

Kuwait is on excellent terms with the United States; their forces conduct regular maneuvers together. So American officials were surprised to learn recently that Kuwait's Higher Defense Council was leaning toward China's North Industries Corp. to supply it with self-propelled howitzers — tracking vehicles that function as long-range artillery pieces.

The United States has been pushing its M109A6 Paladin model, some of which are deployed in the desert north of Kuwait City to defend it against any invasion from Iraq.

U.S. Army warrant officers who recently examined the Chinese howitzer in Kuwait said they found faulty welds and antiquated radio equipment that would not permit communication with American-made M1A2 tanks used by Kuwait and U.S. forces, according to diplomatic sources.

"For sure, those who will use the new artillery pieces, would like to see Amer-

ican technology, but we find we have to please other friends," Deputy Foreign Minister Suleiman Shahen of Kuwait said in an interview here this week. "China is a power to be reckoned with, so it is in our interest to have a relationship with them."

An official at the office of the Chinese defense attaché in Washington, who would not give his name, refused to comment on the proposed howitzer sale. But he said: "In Chinese policy, we will not impose any political conditions on any country. We want to have normal trade relations with everyone."

News of the proposed purchase set off alarm bells in Washington.

In April, according to Defense News, Mr. Gore wrote a letter to the leadership in Kuwait, saying: "I would like to reiterate my strongest support on behalf of United Defense L.P., a U.S. company, which has proposed to provide the 155mm M109A6 Paladin self-propelled howitzer."

MARKET: Dow Jones Average Hits 8,000

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giving it a value of \$174.8 billion. It is axiomatic on Wall Street that a bull market is near an end when investors say "this time is different," but many economists have been explaining the rise in stocks as a result of the end of the Cold War and significant advances in technology that have increased the productivity of American companies and exerted downward pressure on long-term interest rates.

"This is part of the peace dividend," said Alan Ackerman, executive vice president of Fidelity Investments. "This is part of a high-tech leadership that has set the U.S. apart from most economies in the world, and clearly the low-interest, low-inflation environment has been able to fuel this positive backdrop."

In addition to that positive backdrop, Wall Street's strength and recent sharp gains in the dollar helped European stock indexes to also set record highs Wednesday. (Page 11)

The Dow closed up 63.17 points, at 8,038.83, a record, while the Nasdaq index was 38.52 points higher, at 1,580.63. The S&P 500 was up 10.80, at 936.56.

Fueled the latest rise in the Nasdaq were better-than-expected second-quarter earnings Tuesday from two leading chipmakers, Intel Corp. and Texas Instruments Inc., although the latter is traded on the New York Stock Exchange.

Increasing investment in such productivity-enhancing devices as computers is turning into handsome profits for the American companies such as Intel and Texas Instruments that dominate the technology industry.

In general, second-quarter earnings have been robust, and that is another factor lifting stock prices.

One of the key measures of a stock's value is its annual earnings divided by the number of shares the company has outstanding. This price-to-earnings ratio shows how much investors are willing to pay to buy into a company's income stream.

Currently, the P/E ratio for the stocks in the Dow is about 22, historically a high level but one that might be supported if investors continue to pour money into the market and if alternative investments are not attractive. Although returns have been good in emerging markets and in some of the West European exchanges, currency crises in Asia and weakness in the Continental foreign-exchange sector have reduced those re-

sults when translated into dollars.

Not only is the American stock market attractive when compared with overseas equities, but it also looks good when measured against the yields available on bonds in the domestic market. Interest rates are falling, making it hard for bond yields to lure investors away from Wall Street, where double-digit percentage gains in each of the last three years make the 6.47 percent yield on 30-year Treasury bonds, even at their reduced rates, offer higher interest payments than government bonds from most of the other industrialized countries.

The yield on the 30-year Treasury bond fell below 6.5 percent Wednesday for the first time since December.

The government said the consumer price index, its main measure of inflation at the retail level, rose just 0.1 percent in June, or 2.3 percent for the past year.

Although technologically based productivity gains are widely credited with keeping inflation at bay while unemployment is a modest 5 percent, the statistical evidence does not absolutely confirm this view.

It is generally accepted that data collection has not kept pace with technological advances, but the scope of the error is disputed.

While disinflation over a long period is not likely, the CPI data reduced the probability that the Federal Reserve Board's Open Market Committee would vote to raise interest rates at its August meeting. The Fed did raise rates once this year, in March.

Intel, which reported its second-quarter profit after the market closed Tuesday, was sharply higher. Its results were slightly ahead of the latest expectations, although the company had cautioned of a slowdown as it shifted its emphasis to producing its new Pentium chips with MMX technology. These products are in demand, making Intel's older chips relatively unattractive.

Microsoft's stock was strong on expectations the company would report good earnings Thursday.

One company that reported poor profit results was Eastman Kodak, and the stock market punished its shares, which lost more than 10 percent of their value by late afternoon. Reflecting the view that global competition is keeping a lid on U.S. prices, Kodak's 16 percent drop in profit was attributed to competition from Fuji Photo Film Co. as well as a strong dollar. Fuji's American depositary receipts were higher.



HONORED — A Turkish newspaper editor, Ocak Isik Yurtcu, left, walking through the main gate at the jail in Saray to meet the press Wednesday. Mr. Yurtcu, serving a 15-year sentence for his pro-Kurdish paper's reporting, had just received a press freedom award.

UNION: A Tortuous Road to Next Century

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ister Bülent Ecevit even threatened late Tuesday to annex northern Cyprus and its ethnic Turkish community if the EU proceeds with plans to include the Greek Cypriot government in the first wave of enlargement talks.

The European Commission has declared Turkey ineligible for negotiations on economic and human rights grounds, although it proposed interim measures to intensify economic and political cooperation with Ankara. The EU committed itself to including Cyprus in the first round of enlargement talks three years ago to win Greek support for an EU customs union with Turkey.

Most parliamentarians reacted favorably to the commission's selection of the five countries, indicating that EU leaders were likely to endorse the strategy when they make the final decision in December. Officials said the choices reflect the state of economic and political developments in the East and maintain geographic bal-

ance within the Union, as Scandinavian countries have championed the Baltic states and Italy and other southerners have lobbied on behalf of Slovenia.

Money and policies will almost certainly prove more divisive.

As part of his proposed Agenda 2000 to ready the Union for enlargement, Mr. Santer called for significant cuts in farm subsidies, which now account for about half the Union's budget of \$6 billion (€78 billion), to be partly offset by direct income payments to farmers. He also proposed to restrict the number of EU regions qualifying for industrial and development aid. Those measures would free up 75 billion euros for a "new Marshall Plan" to help the 10 Eastern countries prepare for membership, he said.

But in a taste of the budget battles to come, the French Farm Ministry immediately rejected the proposed cuts in farm support as unacceptable, while the British foreign secretary, Robin Cook, praised the plan as one that would steer the Union away from costly subsidies and toward free trade.

But the real obstacle to enlargement remains the Union's lack of political momentum, which has been underscored by the growing tensions surrounding the planned single currency and the failure of EU leaders to streamline decision-making and to curtail national vetoes at summit talks in Amsterdam last month.

"What's missing is the political ambition," said Wilfried Martens, the former Belgian prime minister who leads the Christian Democratic bloc in the European Parliament.

U.S.-Panama Talks

WASHINGTON — The United States will begin formal talks with Panama this month on turning Howard Air Force Base in Panama into an international anti-drug center with U.S. participation.

The United States will turn over control of the Panama Canal to Panama and withdraw all troops, including from the base, by end 1999. (Reuters)

Turk Party Accused Of Illegal Donations

ANKARA — The Turkish military Wednesday accused the religious Welfare Party of accepting \$16 million in illegal contributions from Libya and Syria. The allegation was contained in documents submitted to the supreme court in a case that could lead to the party's closing, the Istanbul newspaper Sabah said.

Turkish laws ban the acceptance of foreign financial assistance by political parties. Welfare officials had no comment Wednesday, but the party has denied that it has foreign financing.

The main allegation in the court case is that Welfare tried to establish an

Islamic regime, a violation of the Turkish Constitution.

Welfare led the coalition government that resigned last month under pressure from the military. The military, the self-appointed guardian of Turkey's secular system, opposed Welfare's religious policies. (AP)

Sadat Case Fugitive Captured and Tried

CAIRO — The Egyptian police have caught a militant Islamic fundamentalist who spent 16 years on the run after helping to found the group that assassinated President Anwar Sadat, security officials said Wednesday.

The police caught the militant, Hussein Ahmed Hussein, in June and he

went on trial on charges related to the assassination Tuesday, they added. Prosecutors say Mr. Hussein was a founding member of the fundamentalist Jihad group, members of which killed Mr. Sadat in 1981. They could not say how he was captured or where he had spent the last 16 years. (Reuters)

JAPAN: The Country Anxiously Builds Western-Style Capitalism

Continued from Page 1

issues of restructuring go much further than economics. They also involve social values of egalitarianism, the creation of a consumer society with better housing and higher living standards, the effort to cultivate a two-party political system, the devolution of power to localities and a looser education system to encourage more critical thinking.

"Japan is caught right now in a serious stalemate, and lots of people see it as virtually the end of the world," said Tadano Ando, a leading architect. "The rules that bind Japan are usually said to be about business, but the more important thing we should discuss is how these rules stifle the Japanese sense of freedom, the sense of our own possibilities."

Some of the broad impact of the changes unfolding in Japan is apparent in the little gas station that Kiki Tamura runs in Utsumomiya. Car owners used to be dependable customers, forging a relationship with a service station that would repair their vehicles as well as fill their tanks — a bond nourished by extra attention and occasional free service by the mechanics. Now, instead of relationships,

customers want cheap gas. The petroleum industry was partly deregulated last year and self-service stations may be allowed soon as well. Price wars have broken out among stations, and many economists predict that about one-third of them will close in the next decade.

"Almost all gas stations are in the red right now, so I'm worried," Mr. Tamura said as he stood in his office, watching cars sail by on the road outside.

"Now the differences between the good stations and the bad stations have become clear," he said. "When prices were deregulated, we lost the cradle that we'd been rocking in."

For all his anxieties, Mr. Tamura notes that the filling station can benefit from the changes in the marketplace. He points proudly to a little shop the station has opened so customers can buy a few products — like rice. In the past, the law generally allowed only rice shops to sell rice. But that rule was relaxed last year, and now anybody can sell it.

Mr. Tamura is hopeful that his rice sales will save his job. But, down the road, they are helping to destroy the business of Yozo Kaiga. Mr. Kaiga, a pudgy man with a few wisps of gray hair,

ecuted, in hiding, or in exile, it was unclear who, if anyone, would be available and willing to become co-leader with the erratic and violence-prone Mr. Hun Sen.

Mr. Ung Huot, the foreign minister since 1995, was in Paris meeting with Western aid donors at the time of the coup. He returned Monday.

"I put the interests of my country, my people, above anything else," he said Wednesday. "Above political parties,

BOEING: Stalemate in Talks on McDonnell Douglas Acquisition

Continued from Page 1

that's a very serious matter," said Representative Norm Dicks, whose congressional district includes Boeing headquarters in Seattle. "The American people are going to stand for the EU blocking a merger between two U.S. companies."

The commission argues that the takeover is a global issue giving Boeing three quarters of a market worth trillions of dollars over the next quarter of a century and having a direct impact on Airbus Industrie, the pride of Europe's aerospace technology. Since Boeing is a global power that does much of its business in Europe, the commission argues that it has jurisdiction, just as U.S. antitrust authorities can issue rulings governing European companies that do business in the United States.

The commission cannot halt the merger, which was approved by the Federal

Trade Commission and the Defense Department in the United States two weeks ago, after Boeing submitted 5 million pages of testimony.

But it can make life difficult for Boeing by imposing fines amounting to billions of dollars and penalizing European companies, including airlines, that do business with Boeing.

Boeing is saying nothing about the negotiations, while issuing bland and reassuring statements, such as the one by a Boeing spokeswoman, Sherry Nebel, after the talks broke down Tuesday: "We're confident we will reach a mutually acceptable solution."

Boeing can afford to take a relaxed attitude while waiting for the acquisition to be made final Aug. 1. It gambles that the Europeans are likely to be divided. For example, will British Airways, which buys all its planes from Boeing, or Rolls Royce PLC, which supplies Boeing with engines, go along with a trade

war engineered by the commission?

The four countries that would be most affected by retaliation and counter-retaliation would be the four whose industries participate in the Airbus partnership — Germany, France, Britain and Spain.

Yet, even these countries are having difficulties coordinating their policies and turning Airbus into an independent company that could compete more effectively with the Boeing behemoth.

Airbus claims its planes are better, more modern, more comfortable and more efficient than the planes built by Boeing.

But the word that most sings to airlines is "cheap," and Airbus could probably get its costs down if it operated as a regular corporation. That prospect is up in the air because of the French Socialist government's insistence on hanging on to its ownership of Aerospatiale, one of the lead Airbus partners.

CAMBODIA: New Co-Prime Minister Seen as Lending Legitimacy to Hun Sen's Regime

Continued from Page 1

above my boss, Ranariddh." "I still respect him," Mr. Ung Huot said of the prince, "but the interests of the country dictate that Cambodia must go on."

Mr. Ung Huot, an Australian-trained telecommunications engineer with a "Mr. Clean" reputation, criticized Prince Ranariddh for carrying on negotiations "behind closed doors" with hard-line Khmer Rouge holdouts in northern Cambodia.

Mr. Ung Huot won backing from an-

other contender for the job, Toan Chay, governor of Siem Reap Province and a member of Prince Ranariddh's party who led a breakaway movement last April.

Mr. Toan Chay dropped out of the race to replace Prince Ranariddh because, he said, he was not a member of Parliament and by law could not hold the job.

Mr. Ung Huot's selection must be endorsed by the National Assembly, which is expected to convene this month — if enough members can be found who have not fled the country to make up a

quorum. Mr. Ung Huot said he would keep the foreign minister's post as well as being first prime minister.

Mr. Ung Huot's appointment poses a dilemma for diplomats, who must decide whether to continue to recognize Prince Ranariddh as the legitimate first prime minister and demand his reinstatement, or to accept Mr. Hun Sen's violent coup as a fact and start working with Mr. Ung Huot as the only leader left inside Cambodia who can add an element of pluralism and accountability to the government.

HEALTH/SCIENCE

A One-Brain, Two-System Approach to Languages

By Sandra Blakeslee
New York Times Service

NEW YORK — As thousands of teenagers who have struggled to engrave high school French on recalcitrant neurons might have guessed, a new study has found that second languages are stored differently in the human brain depending on when they are learned.

Babies who learn two languages simultaneously, and apparently effortlessly, have a single brain region for generating complex speech, researchers say. But people who learn a second language in adolescence or adulthood possess two such brain regions, one for each language.

The findings, described in the current issue of the journal *Nature*, shed new light on some notoriously difficult questions about brain development: How does the brain organize language in infancy and now are multiple languages

represented in the brain? Why do some brain regions appear immutable after childhood, while others appear flexible and malleable in adult life? Why are languages harder to learn later in life?

There have been strong hints that the brain can use separate brain regions for first and second languages, said Dr. Michael Posner, a psychologist at the University of Oregon in Eugene. Bilingual epilepsy patients may, during seizures, lose the ability to speak one language and not another. A stroke victim can permanently lose the ability to speak French but retain English or another language.

"But it's not been known how these separate language areas form in the brain," Dr. Posner said. "Are the languages fused? Do they prime one another? Is one translated by another?"

The study shows for the first time that two languages can be mapped in common neural tissue, Dr. Posner said, adding, "It is very helpful for understanding bilingualism."

The research was carried out by Dr. Joy Hirsch, head of Memorial Sloan-Kettering Hospital's functional MRI Laboratory and her graduate student, Karl Kim. Functional magnetic resonance imaging, or fMRI, is a relatively new, noninvasive brain imaging technique that can pinpoint exactly which parts of the brain are active during cognitive tasks such as talking, seeing, waving an arm or daydreaming. Brain surgeons at the hospital are now using the technique to identify critical brain regions so that they will not do more harm than good when removing a tumor or other abnormality.

Of these critical regions, language is perhaps at the top of the list, said Dr. Philip H. Gelin, the hospital's chief of neurosurgery. Some functions such as seeing and hearing are located in both brain hemispheres, he said. When a tumor forms, surgeons can cut out tissue and not do great harm because the other side of the brain will take over.

"But language is a high-rent district," Dr. Gelin said. Some high-level aspects of language tend to be found only on one side of the brain. By removing a spot of tissue smaller than an eraser, a surgeon could excise a region of language production and destroy a person's ability to speak or understand English.

Moreover, language areas are never found in exactly the same spot, Dr. Gelin said. These regions are formed in childhood as language is acquired and are in slightly different spots in different people. Given that a quarter of all brain tumors occur in regions of the brain where language skills must reside, accurate imaging is a must, he said.

To explore where languages lie in the brain, Dr. Hirsch recruited 12 healthy bilingual people from New York City. Ten languages were represented in the group. Half had learned two languages in infancy. The others began learning a

second language around 11 and had acquired fluency by 19 after living in a country where the language was spoken.

With their heads inside the MRI machine, subjects thought silently about what they had done the day before using complex sentences, first in one language, then in the other. The machine detected increases in blood flow, indicating where in the brain this thinking took place.

Aspects of language ability are distributed all over the brain, Dr. Hirsch said. But there are some high-level, executive regions that are usually localized in a certain neighborhood on the left side of the brain, but are sometimes found on the right side. One is Wernicke's area, a region devoted to understanding the meaning of words and the subject matter of spoken language, or semantics. Another is Broca's area, dedicated to the execution of speech as well as some deep grammatical aspects of language.

None of the 12 bilinguals had two separate Wernicke's areas, Dr. Hirsch said. In an English and Spanish speaker, for instance, Spanish semantics blended with English semantics in the same area. But there were dramatic differences in Broca's areas, she said.

In people who had learned both languages in infancy, there was only one uniform Broca's region for both languages, a dot of tissue containing about 30,000 neurons. Among those who had learned a second language in adolescence, however, Broca's area seemed to be divided into two distinct areas. Only one area was activated for each language. These two areas lay close to each other but were always separate, Dr. Hirsch said, and the second language area was always about the same size as the first language area.

This implies that the brain uses different strategies for learning languages, depending on age, Dr. Hirsch said.

Smoky Plumes Deep in Ocean

By Jane Ellen Stevens
New York Times Service

ABOARD R/V ATLANTIS, off the Azores — A site that is believed to be one of the largest volcanic vent fields in the Atlantic Ocean has been discovered by a team of scientists on a French submarine 7,700 feet below the surface.

An American submarine, Alvin, was nearby when the vent field was found July 10. It joined the French submarine, the Nautilus, on Friday afternoon to explore the strange ecosystem. Both returned to the site on Saturday for several more hours.

Dr. Richard Lutz, a marine biologist from Rutgers University, described the newly found vent field, named Rainbow, as a 100-meter-square (330-foot-square) area with a forest of more than 100 smoking vents. The images from the Alvin show the yellow Nautilus hovering over uneven ground among clumps of brown rocky spires rising upward for one to five feet. Many spewed what appeared to be black smoke into the clear water.

"We've been doing things on each other's submarines separately for a very long time and it's nice to finally be doing something with both our submarines together," said Dr. Lutz, one of the chief scientists leading an international team aboard the Atlantis, the American research vessel on which Alvin is based. "I hope this will be the first of many joint expeditions into inner space."

In the Alvin were Dr. Lutz, Dr. Yves Fouquet, a geologist at the Institut Français pour la Recherche de l'Exploitation de la Mer in Brest and the chief scientist of a European Commission research team aboard the French research vessel L'Atalante, and Alvin's pilot, Matt Heintz. In the Nautilus were Dr. Fernando J.A.S. Barriga, a Portuguese geologist from the University of Lisbon, and two French pilots.

The Nautilus' robot arm probed one of the vents with a thermometer and found the water to be nearly 600 degrees Fahrenheit (about 315 degrees Centigrade). The water emerged clear from the vent, but it turned black within a couple of inches as minerals precipitated after hitting the 40-degree ocean water. Because of the extreme pressures at the bottom of the ocean, water boils at a higher temperature there than on the surface.

Scientists began looking for vents in the 1960s because geologists suspected that deep-sea volcanoes existed along a range of undersea mountains that curve around the world at the edge of drifting continental plates. Using remote sensing, they discovered that rift valleys cleaved the mountains, which are spreading at about the rate that people's fingernails grow.

In the valleys, lava oozes and sometimes erupts to create new crust, which cracks as it cools. Into these cracks plunges cold sea water, which is heated by the magma underneath the sea floor. The superheated water shoots out from the ocean floor through vents. Minerals precipitating from the water form fantastically shaped spires, sometimes hundreds of feet tall.

On and around the vents have evolved communities of bacteria, shrimp, mussels, snails, clams, tube worms and fish that live in constant darkness in a sea of heat and chemicals that would be toxic to most organisms on Earth's surface. In 1977, humans first laid eyes on a vent, in the Galapagos Rift. Since then, people have visited 50 others in the Atlantic and Pacific Oceans.

Picky Eater: New Image for the Great White Shark

By William J. Broad
New York Times Service

NEW YORK — Few animals have the power to frighten people into the cold terror of being eaten alive. But the great white shark does so effortlessly. Its reputation for blood lust is rooted in images of jaws gleaming with rows of razor-sharp teeth, their edges nicely serrated to ease the job of tearing through bone and flesh.

Nature's great killing machine grows to lengths of 20 feet (6 meters) or more and is often viewed as crude and mindlessly malevolent, feeding just as heartily on humans as on fish, seals, whales and sea lions. But new research is challenging that notion and shedding light on the hidden life of the great white, revealing a finicky eater that may find people unpalatable.

"Though it is pitiless with prey, lunging and slashing in red-stained water, the species can be quite civil among its own. Scientists have found what appears to be a ritualized competition over kills in which two great whites will forgo attacking one another for a gentle bout of slapping tails on the sea's surface. The highest splash decides the winner. Such finessing stands in stark contrast to the raw violence among predators like wolves, which can engage one another in bloody fights to the death."

Sharks are ancient animals, long predating the dinosaurs. Carcasses, carcasses, or "ragged tooth" in scholarly Latin, is found in temperate waters throughout the world's seas. To find prey, it has sensors known as lateral-line organs that apparently can detect disturbances in sea water at ranges of a mile or more.

Closer to a victim (exactly how close is uncertain), its keen ears can hear thrashing, its sensitive nose can sniff blood, and its eerie black eyes can spy flesh. Powerful muscles send it lunging.

The triangular teeth grow to lengths of two or more inches and are extraordinarily strong. Three layers of enamel crisscross in different directions so the teeth can better withstand impact as well as twisting and bending. If a tooth is lost, a replacement directly behind it will rotate forward in a day or so. New teeth are

constantly being formed in this replacement process.

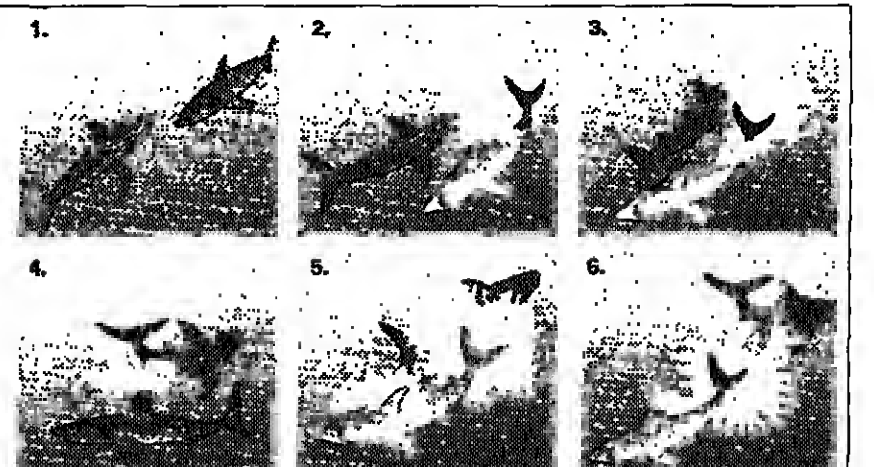
Judging from stomach contents, the beast can indeed devour prey whole, including other sharks and sea lions. Though one of its nicknames is "man-eater" (another is "white death"), no one knows for certain if people are in fact a preferred food.

To explore such questions, scientists in the last decade have increasingly studied the beast's predatory habits. Dr.

Ritual Combat Over Dinner

After a kill by two male sharks, scientists observed them in a splashing display to determine who got the carcass, first swimming past each other without touching, then rolling over slightly to splash water in the other's direction. The shark that managed to stir up the most water in several passes got the meal.

Source: "Great White Sharks," A. P. Klimley and O. G. Ainley (Academic Press) NYT



Klimley of the Bodega Marine Laboratory, working with Peter Pyle and Scot D. Anderson, did a pioneering study near the Farallon Islands, which lie some 30 miles west of San Francisco in one of the most productive fisheries on the West Coast. Video recordings were made of 129 great-white attacks on seals and sea lions, the assaults rich in explosive splashes in bloodstained water.

An analysis suggested that

a shark near the surface would bite its victim, drag it down bleeding, carry it underwater and perhaps take another bite, then let the carcass float upward. If the victim was still alive, the act might be repeated. The shark's aim, the scientists deduced, was to have the prey bleed to death as soon as possible, minimizing a violent struggle.

In an interview, Dr. Klimley noted that attacks on people often followed a sim-

ilar pattern — but the sharks, after dragging humans down, bleeding, often let them go.

Dr. Klimley said white sharks might spit out humans, birds and sea otters because their bodies lacked the energy-rich layers of fat possessed by seals and whales. "If they ingest something that's not energetically profitable, then they're stuck with that for a few days," of slow digestion, he said. "Fat has twice the energy value of muscle."

BOOKS

STEVEN SPIELBERG: The Unauthorized Biography

By John Baxter, 457 pages, \$25. HarperCollins.

STEVEN SPIELBERG: A Biography

By Joseph McBride, 528 pages, \$30. Simon & Schuster.

Reviewed by Joel E. Siegel

The mastering object of Steven Spielberg's life, like that of his movies, is success at the expense of substance. One would expect the saga of the world's richest, most celebrated filmmaker to be packed with challenges and conflicts, the biographical equivalent of his roller-coaster productions. What's surprising, even shocking, about these two hefty tomes is the banality of Spielberg's story, as mundane as the suburbia that spawned him and that he celebrates in his work.

Anticipating a future autobiography, Spielberg and his key associates refused to meet with his present chroniclers — the American film historian Joseph McBride (author of books about Capra, Welles and Hawks) and the Australi-

an-born critic-novelist-broadcaster John Baxter (whose works include studies of Bunnell, Fellini, science fiction movies and gangster pictures). Consequently, these unauthorized biographers were forced to draw heavily on the same pool of previously published interviews, which results in considerable anecdotal overlap in their books.

A tireless researcher, McBride spent three years tracking down more than 300 of Spielberg's teachers, neighbors, colleagues and friends, his zealotry reflected by 50 pages of source documentation and dozens of footnotes. The result is probably more information than anyone cares to know about the filmmaker's early years; it takes McBride 132 type-dense pages to reach his subject's high school graduation. In terms of sheer data, McBride far outclasses his competitor, though his penchant for repetition grows numbing. Operating on the apparent assumption that readers experience amnesia attacks every dozen pages or so, he compulsively recycles incidental details and insights that have been excised.

Drawing on only a dozen or so fresh interviews and

sprinkled with careless errors (Albert Brooks does not direct "Broadcast News"), Baxter's book is largely a cut-and-paste job based on secondary sources. But the author's geographical and skeptical distance from his subject affords him a perspective McBride lacks. A smoother stylist, Baxter keeps his account moving (his Spielberg finishes high school by page 40), pointedly probes some disquieting episodes in his subject's professional and personal history, and provides a useful artistic and commercial context in which to view the filmmaker's ascent. Each biography has admirable qualities, notably McBride's doggedness and Baxter's detachment, but neither will suffice. Flowing through two accounts of this less-than-gripping life to Spielberg obsessives and journalists on assignment.

In interviews, Spielberg whinnily depicts his childhood as a movable trauma. Dragged by his peripatetic, indulgent, ill-mated parents — Arnold, an innovative electrical engineer, and Leah, a frustrated suburban bohemian — from Ohio to New Jersey to Arizona to Northern California, he was academically and

athletically inept and, he alleges, tormented continually by youthful anti-Semites. (Many of McBride's informants question the existence of these persecutors.)

Spielberg regards himself, as he does his protagonists, as "Mr. Everyday Regular Fella," and his consensus artistic tastes — he collects Norman Rockwell paintings and Disney animation cels — tend to reinforce this image. Yet, despite his paranoid control of media interrogation, hints of a darker side emerge in both biographies. His sadistic treatment of his three sisters, greedy reluctance to share critical kudos and financial rewards with colleagues, and eagerness to distance himself from troubled associates suggest that he's considerably more complicated than an emotionally stunted Peter Pan who compensates for a dismal childhood by concocting lost-boy screen fantasies.

WHAT both books fail to confront is how drastically Spielberg's success has affected American film culture. His strategy of enticing huge international audiences by inflating simplistic, formulaic pop material into blockbuster events movies, then selling off merchandising licenses for additional profit, has inflamed the rapaciousness of Tinseltown bank counters. In 1975 — the year "Jaws" became the most profitable movie ever made — Hollywood produced "One Flew Over the Cuckoo's Nest," "Nashville," "Barry Lyndon," "Dog Day Afternoon," "Shampoo," and "The Man Who Would Be King," adult projects that would stand scant chance of being green-lighted in the post-Spielberg era. The next time you scan the movie listings only to find the multiplex stuffed with footling Spielbergers — cartoonish action pictures, overproduced B-movie monster pictures and saccharine family fare — you're witnessing his legacy.

Joel E. Siegel, who writes about movies, music and books for *Washington City Paper*, wrote this for *The Washington Post*.

CROSSWORD

- ACROSS**
- 1 Dry —
 - 2 College
 - 3 Quick drinks
 - 4 Grouch
 - 5 Prefix with "graph"
 - 6 It's the Law
 - 7 Bay, Hawaii
 - 8 Back to the start
 - 9 Porch riders
 - 10 Attacked
 - 11 Breaking out, maybe
 - 12 Group with the 1983 #1 hit "Africa"
 - 13 Sharpen
 - 14 Alike, in some military names
 - 15 Highways
 - 16 Aerial maneuver
 - 17 Sucker
 - 18 Grounded birds
 - 19 Hebrew leader
 - 20 Spinlaid's other
 - 21 Place to winter
 - 22 Some chart analysts
 - 23 Have one's back against the wall?
 - 24 W.W. II arena: Abba
 - 25 Indonesian island
 - 26 Like vino into
 - 27 Digestive juice
 - 28 Heavy fabric
 - 29 Whip
 - 30 1988 country album
 - 31 Corner of power
 - 32 Military group
 - 33 Take pleasure (in)
 - 34 Murfs
 - 35 Vocal infection
 - 36 Cockles
 - 37 Knees company with

- DOWN**
- 1 Tick off
 - 2 Musical direction
 - 3 Buckle locale
 - 4 Some deeks
 - 5 Work period
 - 6 Vari.'s opp.
 - 7 1977 movie thriller with Bo Derek
 - 8 Ready to be rowed, as grass
 - 9 Storage space
 - 10 Mexican cowboy
 - 11 Circus figure
 - 12 High-freak
 - 13 Pear variety
 - 14 Take over, in a way
 - 15 The marshal in "Frontier Marshal"
 - 16 "Otherwise..."
 - 17 Popular Christmas gifts
 - 18 "My Cousin Vinny" Oscar winner
 - 19 Tournament type
 - 20 Choice
 - 21 C.E.O., e.g.
 - 22 Asia's Arun River
 - 23 Tic
 - 24 Osaka O.K.
 - 25 "Ah, I see!"
 - 26 Some colorful abstract paintings
 - 27 You
 - 28 Musical staff sign
 - 29 Sniff out
 - 30 They may be snuffed
 - 31 The Fab Four, e.g.
 - 32 Very dry
 - 33 Vegas rival
 - 34 Dared devil
 - 35 Computer command
 - 36 Republic since 1948
 - 37 One to grow
 - 38 "A Pure Woman" of an 1991 novel
 - 39 Actor Ayres

Solution to Puzzle of July 16

SELF DRAGON SEW
PEAR MELON SKIE
ALMA TIGANT TYRE
BUTTERYOUTLIP
ALA AJRA TRIALS
HURST TITLES BABY
HURST TITLES BABY
SEED ARTISTS SANA
IDEA ROLER
FERMEZLAOUCHE
ALLIE TRY AID
QUITE ON THE SET
ATON TOSEAN ARAT
SETIS INAND SARU
ADS SAIRAR EIZRIA

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Restaurant Indian

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75017 Paris
Tel: 33 (0)1 45 74 40 21

Hun Sen's Regime

am. Mr. Ung Hui said he had the foreign minister's post as a first prime minister.

Ung Hui's appointment was seen for diplomats who must show their loyalty to the regime. The first move by the regime was to appoint a new prime minister and demand his resignation. The first move by the regime was to appoint a new prime minister and demand his resignation.

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EDITORIALS/OPINION

Herald Tribune

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Open the China File

As a result of disclosures in Tuesday's campaign finance hearings, the Democratic National Committee said it would return \$50,000. The money would go to the Lippo Group in Jakarta to President Bill Clinton's friend and fund-raiser John Hoang to the party coffers back in 1992. Senator Joseph Lieberman of Connecticut said it "certainly looks like the movement of foreign money into an American campaign in 1992." That makes two campaigns in a row, since we already know that the Democrats have returned \$2.8 million in suspect foreign contributions in 1996.

So much for the commentators who assured the country that there was nothing to be learned from these hearings. The fact is that every time the Senate Governmental Affairs Committee can get a straight answer or a fresh document, another \$50,000 or \$100,000 wire transfer from Asia turns up.

One fact is beyond dispute. There is a pattern of money pouring in from Asia, some from Chinese banks, that calls for a public airing of the information that led Senator Fred Thompson to say the Chinese government had a plan to influence the election.

The same information provoked Senator John Glenn to say that Mr. Thompson had interpreted the material too "loosely." On Tuesday, Mr. Lieberman, a Democrat who has deplored the abuses of the Clinton re-election drive, said he now felt that there was indeed a Chinese plan last year to influence the congressional elections with illegal money. But he differed with Mr. Thompson's view that the plan was aimed at the presidential contest, too. Given the importance of the issue, the confusion is unacceptable. The matter needs to be clarified.

Mr. Thompson's statement was based on his own investigation and on

a review of intelligence reports gathered by the FBI, the CIA and the National Security Agency. The Washington Post reported that FBI Director Louis Freeb was involved in clearing Mr. Thompson's statement summarizing the intelligence findings before he released it. A Clinton political appointee, Assistant Attorney General Andrew Foia, countered with a letter saying that the Justice Department review was only for the protection of classified information and that Mr. Thompson's conclusions were "not necessarily those of the law enforcement or intelligence community."

It defies common sense that Mr. Freeb would review a statement that he thought erroneous in its basic interpretation and then let it go forward, but put that aside for the moment. The question of what U.S. intelligence agencies know is too crucial to be left up to a Ping-Pong argument among these senators. The issue must be settled in full view of the American people, and it can be. Making that happen ought to be Mr. Thompson's highest priority, regardless of Democratic obstruction and myopic commentary.

Congress has plenty of experience in placing intelligence information in the public domain in a form that does not compromise spying sources and techniques. It was done during Senate consideration of Cold War arms control treaties, as well as in the congressional investigation of the Iran-contra case. The information can be safely summarized by the new CIA director, George Tenet, or by Mr. Freeb, in public testimony. If they are unwilling to do so, the Senate Intelligence Committee can prepare a public report on the China connection. China's role rests at the center of this affair, and it cannot be allowed to remain a mystery.

—THE NEW YORK TIMES.

Free Turkey's Press

It is an irony and an embarrassment that even as NATO imposes high democratic standards on new members, it has an *enfermal* old member, Turkey, a bye. On the lullus issue of imprisoning journalists for what they write, for instance, Turkey is the recognized world champion. The Committee to Protect Journalists, an American defense group, counted 78 jailed Turkish journalists at the beginning of the year. All the more satisfying, then, that the group has now elicited from the new Turkish government of Mesut Yilmaz a commitment to do something about a record that, if a current NATO applicant had it, would exclude it from the West's premier democratic club.

The trouble lies, of course, in Turkey's continuing conflict with a Kurdish minority that has its pacific assimilationist element but its armed separatist element as well. An official policy giving a long leash to an assertive Turkish military has not only failed to curb Kurdish terrorism but has also cost past governments political support. Journalists who write about Kurdish nationalism from an independent perspective have been at risk of being locked up and

censored, harassed and beaten. Article 312 of the penal code permits reporting and commentary on other than the government line to be punished as "incitement to racial hatred."

The Kurdish problem is as tough as any ethnic conflict anywhere. No one has a good solution in the inflamed circumstances in which it is unfolding now. What is certain, however, is that the problem must be addressed in a context in which the Turkish people are fully and fairly informed about the options before them. This is the prospect now opened up by the Yilmaz government. It speaks for a minority coalition and faces parliamentary resistance to its new free-press commitments. But it also has the opportunity to bring Turkey the appreciation rather than the opprobrium of the democratic West. Up to this point, the army has plainly been calling most of the shots on policy toward the Kurds. The army is manifestly unfit for this role and plays it poorly. Opening up the press is no glitzy civics textbook prescription. It is a practical way for Turkey to build support for a consensus approach.

—THE WASHINGTON POST.

Kenya Needs Reform

Across Africa, people are demanding greater democracy and condemning corrupt governments that cheat them out of economic growth. The latest protest has erupted in Kenya, where the autocratic regime established by Jomo Kenyatta in the 1960s has continued, with deepening corruption, under President Daniel arap Moi since 1978. Oblivious to Africa's new climate, Mr. Moi has responded, as ever, with brute force.

In this he ignores a new sensitivity to democracy among the Western countries he counts on to provide aid and encourage investment and trade. The Clinton administration and its European partners need to remind him that Kenya risks losing this crucial support if it continues to meet reasonable demands with violent repression.

For years Kenya's opposition leaders and human rights activists have braved police beatings, long prison sentences and even death threats to press for broader political rights. Five years ago, after their efforts were backed by a brief suspension of Western aid, Mr. Moi agreed to multiparty elections. He survived that challenge, even though he failed to win a majority of the votes. Opposition divisions and

electoral regulations favoring the ruling party preserved his grip on power.

With new elections due this year, opposition groups are campaigning for constitutional changes that would give them a realistic chance of winning. Their efforts have attracted broad public support, and a harsh police response. Police have attacked unarmed demonstrators with guns, clubs, whips and ax handles and invaded the sanctuaries of churches and universities. At least nine protesters have been killed.

Kenya's crisis is an early test for the Clinton administration's newly declared approach to Africa. And Britain, closely linked to Kenya since colonial times, has a new government that is emphasizing democracy and human rights issues in its diplomacy. Germany, another large donor, said this week that continued assistance to Kenya would depend on Mr. Moi's respect for "democratic, pluralist and constitutional rules in political debate."

One clear lesson from past policy failures in Africa is that far more attention must be given to the internal practices of governments receiving significant Western support. Kenya is a good place to start.

—THE NEW YORK TIMES.

Edging Toward a Peacekeeping Role for Japan

By Jim Hoagland

WASHINGTON — Japan's approach to war and global diplomacy since World War II can fairly be imperfectly summed up thus: Don't mind us, we'll just sit over here and listen and concentrate on trade. No fuss please. We are Japanese.

This obeisant, pacifist-oriented image suits the Japanese and reassures those abroad who recall the horrible consequences of Japanese militarism. But events in the Pacific are overtaking Japan's ambition to avoid foreign military entanglements. Tokyo is about to embark on a revision of its security alliance with America that will give it a clearer and larger military role in the Pacific.

The pacifist image was never wholly accurate. Japan played a vital supporting role for America's military presence in Asia throughout the Cold War. At times it even suited Japanese prime ministers to call attention to their nation's role as an unsinkable aircraft carrier, and to emphasize the abundant financial support that Japan provides for U.S. bases in Japan.

It is true that the changes to come will be incremental and taken only after a laborious consensus-building process, which began paradoxically in

Washington earlier this month. There will be no declaration of big changes in Tokyo. There will be many tiny declarations of hardly any change at all.

But change there will be. It was made inevitable by two military confrontations forced upon the United States in the Pacific in the past three years. These trips to the brink raised troubling questions in Washington about what, exactly, it could count on Japan to do militarily if the sushi did hit the fan in Asia.

The first came three years ago as North Korea and the United States growled menacingly at each other over Pyongyang's development of a nuclear weapon. An accord avoiding war was reached. Then, 15 months ago, China fired missiles into commercial shipping lanes around Taiwan, and U.S. carriers moved in to keep the peace.

These were carriers of the sinkable kind. U.S. planners running war games of worst cases found problems in the existing Japanese interpretation of the U.S.-devised constitution. That interpretation would prevent Japanese mine-sweepers or rescue vessels from helping

American forces on the high seas. There were also questions about the use of U.S. facilities in Japan in a conflict with China. These were questions that no reasonable planner would want to have thrashed out in the middle of a crisis.

The result was a quiet U.S.-Japanese negotiation on June 7. It produced a set of "defense guidelines" that commit Japan to help the United States in "situations in areas surrounding Japan."

The document is deliberately vague on how large that area is and on other key points. But it does make clear that in the event of conflict in Korea, for example, Japan would send fuel (but not weapons and ammunition) to help U.S. forces, and would engage in mine-sweeping in international waters.

Political leaders of the three parties that make up Japan's coalition government visited Washington at the beginning of July and were briefed by U.S. officials. The Diet will have to authorize spending and pass some specific enabling legislation. If the guidelines are to be put in effect, a hot debate is expected in the autumn.

Just the kind of debate that Japanese politicians have preferred to avoid in the past. But events force this debate

now. It will help clarify Japan's thinking about the post-Cold War world and global peacekeeping.

For the past year many politicians, scholars and business people of the United States and of China have acted and spoken as if the future of Asia were a matter for their two countries and their countries alone to decide, through "engagement" or confrontation. But quiet Japan will have much to say about the outcome of the contest of wills between these two powers. To focus the Japanese (and the Chinese and the Americans) on Japan's swing position is progress.

Washington's key Asian partner remains Tokyo, not Beijing. President Bill Clinton at times has given Japan reason to doubt that he accepted this view. The guidelines and the sustained effort that the United States has put into crafting them help correct that lamentable impression.

The new guidelines have not been welcomed in Beijing. The Chinese apparently fear that Japan is enlisting in a U.S.-led strategy that would limit China's ability to snatch back Taiwan. This time the world should hope that Beijing has it right.

The Washington Post.

Why Expand a NATO That Fails to Enforce Peace in Bosnia?

By William Pfaff

PARIS — The argument over removing U.S. forces from Bosnia in mid-1998 is currently only a mumble, a murmur, in Washington and at NATO headquarters in Brussels. But the argument is growing louder, and will grow loud indeed as NATO marches toward that June 1998 deadline.

A lesson about the ingredients of peace in Bosnia was provided last Thursday by NATO raids against two alleged war criminals, whose indictment by the International War Crimes Tribunal in The Hague had not previously been made public. One was seized and removed to The Hague, and the other was killed by a British SAS unit while resisting arrest, with a British soldier wounded.

The violent collapse last week of the divided government structure that the United Nations set up in tormented Cambodia offered another lesson about peace. It demonstrated how flimsy foreign-invented political structures are likely to prove.

The Bosnian-Croat federation established by the Dayton agreement is highly artificial. Peace between the intransigent Bosnian Serbs' Republika Srpska (itself in a leadership crisis) and its Bosnian Muslim and Croatian neighbors remains exceedingly fragile.

The Dayton arrangements, brokered by the United States, will not survive a NATO withdrawal next year. Withdrawal, however, is what the United States currently promises.

An argument continues inside the U.S. government between a group led by Secretary of State Madeleine Albright, favoring an activist U.S. European policy and continuing U.S. military presence in Bosnia beyond June 1998, and the American military leadership, whose views are given voice by Secretary of Defense William Cohen.

The military have never wanted involvement in ex-Yugoslavia, and they want out

of Bosnia next year. America's military leadership and the U.S.-dominated NATO command have stubbornly resisted pressure to arrest war criminals. It is suggested that last week's SAS operation was possible only because NATO was briefly between commanders.

Thus far, the withdrawal camp is winning the argument in Washington, since it has Congress on its side. The House of Representatives has already voted to withhold funds from any American presence in Bosnia past the June 1998 deadline, and the Senate has less dramatically expressed its reluctance to see Americans stay. At this point all this is largely gestical, but it is nonetheless significant.

Congressional opinion reinforces the military leadership's reluctance during recent years to assign missions to American professional soldiers that involve serious risk to their lives. This has provided the principal obstacle blocking NATO from attempting to seize indicted war criminals.

In the former Yugoslavia, dangerous missions have been left to the professionals of other countries. The British carried out last week's arrests, and British, French and others did the United Nations' dirty work in the former Yugoslavia before NATO arrived in 1995. They took the casualties.

It should parenthetically be said that some Americans feel a sense of shame at this, and even that the American uniform is dishonored by this American claim to privilege. A White House dispatch on Friday said American troops "contributed transportation and other logistical support" to the British operation, which sounds like trying to appropriate some of the credit as well.

There are direct links between war crime trials, America's decision on Bosnia withdrawal and

the NATO expansion that the United States has been determined to bring about.

The U.S. government and military cannot promote a policy of expanding NATO as the way to guarantee peace and stability in Europe in the years to come, and at the same time (to employ an inelegant military phrase born of the Korean War) bug out of Bosnia next year.

Either NATO keeps the former Yugoslavia at peace and promotes a political settlement there, or it abandons the razzle-dazzle about peacekeeping, democracy, pan-European unification and a New Atlantic Order that has been employed to justify expansion, and which orchestrated the Madrid NATO summit and Bill Clinton's visit to Europe earlier this month. America cannot have it both ways.

NATO can continue to keep the peace in Bosnia beyond next June, with Americans fully engaged, and thereby demonstrate the will and capacity of an expanding alliance to keep the peace throughout post-Cold War Europe.

Or NATO can leave the people of the former Yugoslavia to resume their interrupted war, and thereby acknowledge that the claims Washington and Brussels have been making for the new NATO are nothing but international hypocrisy motivated by domestic vote-buying.

That last is what Canadian Prime Minister Jean Chrétien has said of the American position. He told Belgium's prime minister, in an overheard conversation in Madrid, that "in your country or mine" politicians who did what American politicians were doing about

NATO "would be in prison." The American decision on Bosnia will show whether Mr. Chrétien was right or not.

If NATO is to build a more substantial political and security order in Bosnia, it must end the present policy of permitting indicted war criminals to continue to dominate the Republika Srpska. They have to be arrested and delivered to The Hague. The Dayton agreement and the international effort in Bosnia are otherwise meaningless.

The moral claims of international society are otherwise outraged, and the opportunity we now possess to deter some future war crimes by demonstrating that criminals are accountable to an impartial authority will have been ostentatiously abandoned. Are there votes to buy with that?

International Herald Tribune.
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Be Warned, There's Trouble Ahead

By William Safire

WASHINGTON — Those of us in America whose job it is to view the world through alarm-colored glasses are having a tough summer. The good news keeps piling up.

The dollar is strengthening against the franc and mark because the Europeans can't get their act together and we did our downsizing years ago. That means a bottle of wine, or imported still water, is tantalizingly cheaper for Americans.

Epidemics are coming under control and welfare rolls are shrinking. The Food and Drug Administration bureaucracy snapped out of its lethargy long enough to approve an anti-plaque dentifrice that enables modern mothers to wash their kids' mouths out with soap. A potency potion on the horizon for both sexes is getting the geezer generation all excited.

Peace is breaking out all over the world. War criminals are

belatedly being given a hard time, while political reformers from Mexico City to Moscow are riding high.

Inflation is a spent balloon and unemployment a relative joke. The Euphoria Index (new job creation plus productivity gains multiplied by the percentage rise in consumer confidence) is making new highs every day.

Which brings us to the stock market. A few years ago executives had to rent the Glomar Explorer to observe their company's stock options, but now they are up here drying in the warm sunshine of runaway prosperity. Who would have thought that lowering the capital gains tax would become a populist issue — with the populists in favor?

Such a happy combination of peace, progress and prosperity is not without its downside. It has driven professional pessimists — "prophets of gloom and doom" and "troubadours of trouble" who see the tank half-empty — into disarray.

Wall Street bears are stuffed and hung on the wall. The Union of Concerned Scientists' clock has been wound back to two minutes past noon. As catastrophists in every field suffer their worst disaster, Gloomy Gus has become a laughingstock.

In journalism, too, naysayers are in a rout. Upbeat reporters focus on the ho-hum reaction rather than the underlying action, and cover the coverage rather than advance the story.

What's missing? What ele-

ment does the nation need to give sharp definition to the picture of unrelieved optimism — to remind good pilgrims that the Man with the Muckraker, his gaze eternally cast downward, fails to see the glorious celestial crown offered to him?

Needed at this moment is a contrarian. No garden party is complete without its skunk. Who will volunteer to click on the icon of the iconoclast, to provide the partying populace with the low mutter of a jernami, to be the happy society's scapegoat for the sin of negativity, to present a target to be hooded at with universal glee? I volunteer. Here I stand scruffily in sandwich boards, proclaiming my deviant doctrine.

You see this article in Foreign Affairs entitled "The End of the Business Cycle?" and assuring baby boomers that no baby bust is ahead? I say bog-wash. You are going to see a correction one of these days that will curl your hair, followed by a year in the doldrums before the next recovery. Those of us now conservatively 3 percent in cash will laugh.

Count on the Four Horsemen of the Apocalypse as an entry in the Belmont Stakes, computer crashing on Millennium Morning, and the unexpected social consequences of the geezer-sex pill. Brace yourself for the dreary data in indictments handed up on Hubble and Hillary followed by the Great Popularity Plunge.

All this loathed melancholy do I provide as a summertime public service. Repeat! The end is near.

The New York Times.

Better Keep Religion Out of It

By Abraham Rabinovich

JERUSALEM — Like a lost Dostoyevskian soul, pale and aimless, Tatiana Susskind drifted through the back streets of Israel, her new homeland, for six years, searching for direction. On June 28, the Russian-born 25-year-old revealed that her search was over.

Striding into the heart of the West Bank city of Hebron, she pasted copies of a sketch she had drawn depicting the Prophet Mohammed as a pig stamping on the Koran.

That gross desecration of the holiest of Islam's symbols touched off a firestorm in Hebron as enraged demonstrators buried hundreds of Molotov cocktails at Israeli troops. The deed had injected into the territorial dispute between Jews and Arabs the dangerously explosive element of religious confrontation. In Tehran, 15,000 demonstrators chanted "Death to Israel."

Ms. Susskind's act demonstrated the potential for calamity when isolated individuals wander a no-man's-land of emotional disturbance between the conventional battle lines of this volatile region.

She had left her family behind in Russia. She enrolled in a Jerusalem art school but did not complete the course. She lived in small student rooms around the city, sometimes finding work as a graphic

artist. Half a year ago her life changed because of a chance meeting with another Russian immigrant about her age, who had taken on the Hebrew name of Yehuda Shomron. He held fanatical political opinions.

He hated Arabs and hated Jews less zealous in their hatred of Arabs than he, which meant that he hated virtually everybody. The army refused to induct him. Even the extremist Kach movement, which he joined, kept him on its margins. He earned his bread as a sometime file layer.

The two were drawn to each other by loneliness, a shared background and their peripheral existence. Tatiana tried to interest him in art and take him to museums but he balked. He in turn attempted to inculcate her with his political views. The Arabs had to be driven out by force, he said. There would soon be a great war in the region, and few would survive it. The only person he admired was Yigal Amir, the assassin of Yitzhak Rabin.

Tatiana at first argued with him. In time, however, she began to succumb. Two weeks ago the pair hitchhiked down to Hebron. Tatiana carried with her 30 copies of the sketch she had done of the pig labeled Mohammed. She had bought an English-Arabic dictionary the day before in order to copy the Prophet's name in Arabic.

They were put up in the home of an Israeli settler. After

dark, according to police, Tatiana set out on foot for the Arab marketplace in Hebron with copies of her sketch. She proceeded to paste them up on a number of doors before a crowd of Arabs appeared. Israeli soldiers intervened and handed her over to police.

Prime Minister Benjamin Netanyahu was so alarmed by Ms. Susskind's act that he telephoned to the Arab mayor of Hebron to apologize in the name of his countrymen for the insult "to one of the world's great religions."

In an unprecedented move, one of Israel's two chief rabbis traveled to Hebron to apologize to the leading Islamic religious figure in the city. Similar apologies came from President Ezer Weizman and other leading Israelis. Their reaction reflected a basic understanding that religion must be kept out of the conflict.

The Israeli gestures did not go unnoticed in the Muslim world. Egyptian Foreign Minister Amr Moussa, a persistent critic of Israel, went out of his way to note that Mr. Netanyahu's telephoned apology to Hebron's mayor had been the right move. With the wisdom born of prolonged conflict, both sides are trying to avoid being led by lost souls into swamps from which there is no returning.

The writer, a reporter with The Jerusalem Post, contributed this column to the International Herald Tribune.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1897: Fighting Words
PARIS — Prince Henri d'Orleans has received, or will shortly receive, a challenge to fight a duel from Lieutenant Pini, a brother of the famous Italian fencing master. Prince Henri's letters to the *Herald* and *Figaro* have elicited protests from Italian newspapers, which took issue with the prince on his criticisms of the conduct of the Italian prisoners in Abyssinia. A despatch from Rome announces that the Italian officers back from Harar have drawn lots to determine which of them should demand reparations by arms.

Rathenau, and unless the middle-class parties succeed in forming a counter fusion, it seems to mean that both in her home and foreign policies Germany will be controlled largely by her 10,000,000 trade unionists, which the Majority and Independent Socialists collectively represent with 180 seats out of the 460 in the Reichstag.

1922: Socialist Merger
BERLIN — A fusion of the two big Socialist parties in Germany now appears to be virtually assured. This is the most important political event that has resulted from the murder of Dr.

1947: Liner Mystery
SYDNEY — The thirty-six-year-old mystery of the loss of the liner *Yongala*, with 142 persons on board, is believed to have been solved. Using anti-submarine instruments and an echo-sounder, the Australian frigate *Lachlan* has located a sunken ship off the North Queensland coast which is believed to be the *Yongala*. The *Yongala* was lost between Mackay and Townsville, on March 23, 1911; it was believed that she had struck a reef.

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Did PepsiCo Swallow Too Much?

Fast-Food Units Seek Rebirth Outside Firm

By Glenn Collins
New York Times Service

PURCHASE, New York — Was it all a mistake? Eleven years ago, PepsiCo Inc. completed the restaurant-buying spree that made Taco Bell, Pizza Hut and KFC the unruly siblings of its booming beverage and snack-food businesses.

PepsiCo had a great run with the restaurants, but in the 1990s it ran out of good ideas at roughly the same time that price-cutting and competition intensified and a public perception arose that the chains' formulas were tired. Now, PepsiCo is trying to get the underperforming units off its books.

Still, while it was almost certainly not a mistake to buy the restaurants originally, the question is whether they can

do any better out from under the PepsiCo umbrella and the nearly bonafide pit of cheap capital the corporation once brought to the business.

Paradoxically, that problem will have to be solved by the architect of the initial strategy to buy the restaurant chains, Andriall Pearson, PepsiCo's president from 1971 to 1984.

Mr. Pearson, 72, has come out of retirement to become the chairman of the planned new company, Tricon Global Restaurants Inc., soon to be a publicly traded fast-food empire with revenue second only to that of McDonald's Corp.

"The restaurants were the growth engine of PepsiCo," Mr. Pearson said. "I'm not presiding over their departure — I'm presiding over their rebirth."

Joining Mr. Pearson as a midwife of the new venture is David Novak, 44, an 11-year PepsiCo executive who is Mr. Pearson's understudy and heir apparent. Their plans for the new company — sprucing up KFC, expanding at home and abroad — hardly seem revolutionary. But, Mr. Novak said, the essential change is to be the focus he and his fellow managers can bring to operations.

"For the first time in the history of these brands, they'll be run by a restaurant company, by people who know and love the restaurant business," said Mr. Novak, who now heads both KFC and Pizza Hut North America. "At Tricon, you won't have marketing people dreaming up products that can't be prepared for the customer."

The two men will have their work cut



David Novak, top, head of U.S. operations for KFC and Pizza Hut, and Andriall Pearson, who will run the new firm, plan a fast-food expansion.

out for them. The fast-food industry in the United States has been in the doldrums of late, with even McDonald's, the market leader, finding that old formulas no longer exert the magic they once did.

Moreover, fast-food chains are coming under siege on new fronts, from price-cutting casual-dining chains and upscale take-out restaurants to super-market delicatessen counters.

The most formidable operational challenge facing Tricon will be to turn around Pizza Hut, which accounts for nearly 50 percent of the fast-food

group's profit, according to Andrew Conway, an analyst at Morgan Stanley & Co. Sales at U.S. Pizza Hut stores were down 4.1 percent from 1995 to 1996, while those at KFC were up 5.4 percent and those for Taco Bell were up 1 percent.

Though strong for years, Pizza Hut began to have difficulty positioning itself between the delivery chains such as Domino's Pizza Inc. and locally owned outlets in virtually all its market areas.

See PEPSI, Page 15

Now, LVMH Wants to Join the Party

Grand Met and Guinness Reject Its Proposal for 3-Way Merger

Compiled by Our Staff From Dispatches

PARIS — After two months of trying to thwart the merger of Guinness PLC and Grand Metropolitan PLC, LVMH made a pitch Wednesday to be included in the proposed deal.

Guinness and Grand Met immediately dismissed the plan as too expensive and too complicated.

LVMH Moët Hennessy Louis Vuitton wants to exchange its 66 percent stake in Moët Hennessy, its 6.4 percent stake in Grand Met and its 14.2 percent share of Guinness for a 35 percent stake in a new beverage company that would include the brands of Grand Met's International Distillers & Vintners subsidiary and Guinness's United Distillers division.

The proposal continues the efforts by LVMH's chairman, Bernard Arnault, to affect the planned \$24 billion (\$40 billion) merger of Grand Met and Guinness into a new company, to be called GMO Brands, that threatens to overshadow LVMH.

What Mr. Arnault is proposing is a complicated and costly break-up of both Grand Met and Guinness in order to leverage LVMH into a dominant po-

sition in what would already be the world's leading spirits and wine company, Grand Met and Guinness said. But both companies agreed to study LVMH's proposal.

"The debate here is not about merger versus demerger," they said. "It is about creating the most value for our shareholders and ensuring that such value is fairly shared."

Nonetheless, they said Mr. Arnault's proposal, submitted Wednesday, would give him "back-door control without paying a premium, and it is hard to see how this could be in the interests of our other shareholders."

LVMH's latest pitch would create the world's leading beverage company, one that would have had sales of \$7.4 billion in 1995-96. The new company would be listed in Paris.

Under the proposal, LVMH's Moët & Chandon and Dom Perignon champagnes and Hennessy cognac would be joined with brands such as Guinness's Johnnie Walker and Dewar's whisky as well as Grand Met's Smirnoff vodka and Baileys Irish Cream liqueur.

Mr. Arnault proposed that other operations of Guinness and Grand Met be

spun off into separately traded companies. Among those operations would be Guinness's beer operations, Grand Met's Burger King fast-food chain and Grand Met's Pillsbury packaged-food businesses.

Analysts agreed with the assessment by Guinness and Grand Met.

"Thirty-five percent is a lot — he's asking for a very significant part of this new company," said Pascale Montagner, an analyst at Jean-Pierre Pinnaton in Paris.

Charles Winston, an analyst at HSBC James Capel, echoed that, saying, "He is asking too much, because if you look at the valuations involved, 35 percent is unacceptable."

Nigel Parson, an analyst with Charterhouse Tilney in London, said: "Arnault is being marginalized, and he's looking for a way in. His proposals are what is best for him, rather than what is best for all shareholders."

LVMH shares rose 49 French francs to close at 1,628 (\$271.30) in Paris, while Guinness rose 6 pence to 612 and GrandMet rose 20 to 626 in London.

(Reuters, Bloomberg, AP)

Strong Dollar Lifts European Markets

Reuters

LONDON — Stock markets in Britain, France and Germany closed at record highs Wednesday, helped by the strong dollar, which continued to rise, unaffected by German officials' comments on foreign-exchange rates.

Stock markets in Europe received an additional boost when Wall Street opened higher after benign U.S. June inflation figures. Dealers said a strong dollar was helping European export-oriented companies to post gains, and this was driving up the indexes.

"We are in the slipstream of the U.S. and the dollar, and we are reaching lofty heights," said Christoph Bruns, a fund manager at Union Investment. "We are likely to continue to see growth."

Britain's FT-SE 100-share index faltered on the brink of 5,000 points and eased from the day's best levels but still managed a record close at 4,964.2 points, up 64.9 points.

Liquidity, stock shortages and the

dollar's strength were behind the index's rise, in which banks accounted for almost half the advance, with oils and pharmaceuticals also strongly ahead.

French benchmark stocks closed at a record high for a second day as the strength of the dollar fired exporters such as the car-parts maker Valeo SA and the cosmetics maker L'Oréal SA.

The Paris market ended short of its peak for the day but still set a record, with strong gains for LVMH, the luxury goods and drinks concern, and for SGS-Thomson, the semiconductor maker. Dealers said a test of the 3,000 level on the CAC-40 index appeared imminent as the average rose 37.31 points to close at 2,888.01.

Brokers said the continued strength of the dollar and gains on Wall Street, as well as rises on other European markets such as London, were supporting the European markets.

In Germany, the DAX index closed 2 percent higher at a record 4,201.24, and

the after-hours IBIS DAX index rose well clear of that level, with trade underpinned by the strength of the dollar.

Banks and chemical stocks were in favor, and Karstadt, the retailer, was up 20.90 Deutsche marks at 662 (\$369.42) in response to favorable perceptions about its restructuring and in spite of reports it may be dropped from the DAX index in favor of Adidas.

Austrian also shares finished at a record high, powering through 1,400 points on the main Vienna index, as the combination of a firm dollar and low interest rates lured buyers in droves.

"This is a scenario for the bulls — low interest rates and a strong dollar," said a trader. "The path ahead is clear," he added, and the ATX index "should have little trouble vaulting 1,450 in the present environment."

Dutch stocks also rose to records for a fourth straight day amid confidence that the dollar and low interest rates will help corporate profits.

Ford and GM Report Strong Profits

Compiled by Our Staff From Dispatches

DEARBORN, Michigan — General Motors Corp. said Wednesday its profit rose 11 percent to \$2.1 billion in the second quarter, while Ford Motor Co. said it earned a record \$2.5 billion, an increase of 33 percent from a year earlier, thanks to strong sales of sports-utility vehicles.

GM, the largest U.S. automaker, earned \$2.68 a share, compared with \$2.63 a share a year earlier, when profit totaled \$1.89 billion. Ford, the second-largest, earned \$2.11 a share, up from \$1.60 in the second quarter of 1996, when profit came to \$1.9 billion.

Both companies' earnings were higher than analysts had expected. For Ford, the average estimate of analysts surveyed last week by First Call was \$1.82 a share. For GM, the average estimate was \$2.15 a share.

GM's earnings rose despite strikes at two of its assembly plants. The company said the strikes had cost it an estimated \$490 million after taxes from lost production of 96,000 cars and trucks in the second quarter.

"It's significant that even though strike-related losses hit the bottom line

pretty hard in the second quarter, we still earned a substantial amount of money during the period," the GM chairman, John Smith Jr., said.

"I wish we could have avoided the strikes," Mr. Smith said. "But we have to make GM competitive, and we need local labor agreements that are consistent with that objective."

Ford credited its higher profit to cost-cutting and strong sales of pickup trucks and sport-utility vehicles with high profit margins.

"Today's results come from several years of very tough work," said Alex Trotman, Ford chairman.

For the first half of this year, GM earned \$3.9 billion, or \$4.98 a share, up from \$2.91 billion, or \$3.57 a share for the first six months of 1996.

GM's revenue in the second quarter was \$45.1 billion, up 1 percent from \$44.7 billion a year earlier. For the first half, revenue was \$87.4 billion, up from \$84 billion.

Second-quarter 1996 results for GM included a \$208.8 million loss from the divestiture of its Electronic Data Systems Corp. subsidiary.

Ford reported revenue of \$40.3 bil-

lion in the second quarter, up from a restated \$39 billion in the same period of 1996.

For the first half of this year, Ford earned \$4 billion, or \$3.33 a share, compared with \$2.56 billion, or \$2.15 a share, a year earlier. Revenue was \$76.5 billion, compared with \$74.2 billion in the first six months of last year.

While Ford's car sales have been down about 9 percent from last year, truck sales have risen 4 percent.

Ford benefited from "a rich mix of business, with a lot of profitable trucks in North America," said David Healy, a Burnham Securities analyst. "Also, their cost-cutting is beginning to pay off."

In addition, Ford's global cost-cutting campaign lowered total costs by \$1 billion in the second quarter, an amount equal to the company's announced cost-cut goal for the entire year.

Ford's overseas automobile business earned \$543 million, up 32 percent from the same quarter last year, though earnings fell 20 percent in Europe, where Ford faces intense competition. (AP, Bloomberg)

CURRENCY & INTEREST RATES

Cross Rates July 16									
American	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
British	1.6554	1.6554	1.6554	1.6554	1.6554	1.6554	1.6554	1.6554	1.6554
Canadian	1.3294	1.3294	1.3294	1.3294	1.3294	1.3294	1.3294	1.3294	1.3294
French	6.5596	6.5596	6.5596	6.5596	6.5596	6.5596	6.5596	6.5596	6.5596
German	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364
Italian	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364
Japanese	149.80	149.80	149.80	149.80	149.80	149.80	149.80	149.80	149.80
Swiss	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756
Spanish	166.64	166.64	166.64	166.64	166.64	166.64	166.64	166.64	166.64
U.S. dollar	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Other Dollar Values									
Argentine peso	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Australian dollar	1.5584	1.5584	1.5584	1.5584	1.5584	1.5584	1.5584	1.5584	1.5584
Belgian franc	6.5596	6.5596	6.5596	6.5596	6.5596	6.5596	6.5596	6.5596	6.5596
British pound	1.6554	1.6554	1.6554	1.6554	1.6554	1.6554	1.6554	1.6554	1.6554
Canadian dollar	1.3294	1.3294	1.3294	1.3294	1.3294	1.3294	1.3294	1.3294	1.3294
French franc	6.5596	6.5596	6.5596	6.5596	6.5596	6.5596	6.5596	6.5596	6.5596
German mark	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364
Italian lire	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364
Japanese yen	149.80	149.80	149.80	149.80	149.80	149.80	149.80	149.80	149.80
Swiss franc	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756
Spanish peseta	166.64	166.64	166.64	166.64	166.64	166.64	166.64	166.64	166.64
U.S. dollar	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Forward Rates									
Canadian dollar	1.3294	1.3294	1.3294	1.3294	1.3294	1.3294	1.3294	1.3294	1.3294
Japanese yen	149.80	149.80	149.80	149.80	149.80	149.80	149.80	149.80	149.80
Swiss franc	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756
U.S. dollar	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

REPUBLIC NEW YORK CORPORATION SAFRA REPUBLIC HOLDINGS S.A.

Consolidated Statements of Condition and Summaries of Results

These statements and summaries represent the consolidated accounts of Republic New York Corporation and its wholly owned subsidiaries and of Safra Republic Holdings S.A. and its wholly owned subsidiaries. Republic New York Corporation owns 49% of Safra Republic Holdings S.A., which is accounted for by the equity method.

	REPUBLIC NEW YORK CORPORATION		SAFRA REPUBLIC HOLDINGS S.A.	
	June 30,		June 30,	
	1997	1996	1997	1996
(In thousands of US\$ except per share data)				
Assets				
Cash and due from banks	\$ 687,209	\$ 890,861	\$ 64,130	\$ 75,251
Interest-bearing deposits with banks	5,413,300	5,573,134	6,652,675	6,532,792
Precious metals	982,508	1,043,985	—	—
Investment securities	23,607,529	19,723,412	8,919,721	8,002,291
Trading account assets	4,826,330	3,508,884	224,184	143,011
Federal funds sold and securities purchased under resale agreements	2,094,029	2,136,323	—	—
Loans, net of unearned income	12,801,172	11,303,917	1,994,617	1,638,857
Allowance for possible loan losses	(325,525)	(339,214)	(120,917)	(129,826)
Other assets	5,965,180	4,738,353	806,628	497,005
Total assets	\$ 56,051,732	\$ 48,579,655	\$ 18,541,038	\$ 16,759,381
Liabilities				
Total deposits	\$ 33,234,918	\$ 30,079,744	\$ 14,396,996	\$ 12,529,456
Trading account liabilities	4,204,047	3,190,666	194,034	101,389
Short-term borrowings	6,972,685	4,958,942	1,652,648	2,162,857
Other liabilities	4,073,638	3,161,159	443,885	301,947
Long-term debt	1,499,051	1,696,108	155,000	175,000
Subordinated long-term debt and perpetual capital notes	2,400,000	2,406,441	—	—
Mandatorily redeemable preferred securities	350,000	—	—	—
Shareholders' Equity				
Cumulative preferred stock	400,000	575,000	—	—
Common stock and surplus, net of treasury shares	731,578	797,290	891,656	889,111
Retained earnings	2,066,707	1,771,982	657,084	573,975
Net unrealized appreciation (depreciation) on securities available for sale, net of taxes	119,108	(57,677)	149,735	25,646
Total shareholders' equity	\$ 3,317,393	\$ 3,086,595	\$ 1,698,475	\$ 1,488,732
Total liabilities and shareholders' equity	\$ 56,051,732	\$ 48,579,655	\$ 18,541,038	\$ 16,759,381
Book value per share	\$ 53.22	\$ 45.31	\$ 48.11	\$ 42.27
Client portfolio assets held in custody	—	—	\$ 15,095,097	\$ 7,722,325
Net income for the six months ended	\$ 220,749	\$ 202,642	\$ 119,603	\$ 90,252
Net income per common share	\$ 3.82	\$ 3.35	\$ 3.39	\$ 2.56
Average common shares outstanding	54,699	55,870	35,290	35,200

Risk-Based Capital Ratios

As of June 30, 1997, Republic New York Corporation's risk-based core capital ratio was 13.10% (estimated) and total qualifying capital ratio was 21.90% (estimated). The ratios include the assets, risk-weighted in accordance with the requirements of the Federal Reserve Board specifically applied to Republic New York Corporation on a fully consolidated basis, and capital of Safra Republic Holdings S.A. Total consolidated assets under these requirements exceeded US\$ 70 billion and total consolidated capital, including minority interest and subordinated debt, was approximately US\$ 7 billion.

Republic New York Corporation

Fifth Avenue at 40th Street
New York, New York 10018

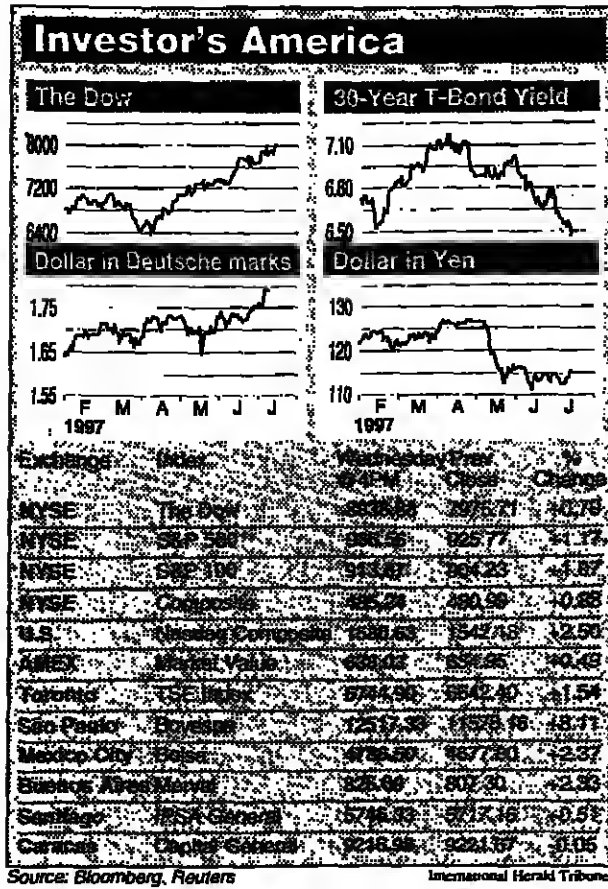
Banking Locations

New York • Geneva • London • Beijing • Beirut • Beverly Hills • Buenos Aires • Cayman Islands • Copenhagen • Encino • Gibraltar • Guernsey
Hong Kong • Jakarta • Los Angeles • Lugano • Luxembourg • Manila • Mexico City • Miami • Milan • Monte Carlo • Montevideo • Montreal
Moscow • Nassau • Paris • Punta del Este • Rio de Janeiro • Santiago • Sao Paulo • Singapore • Sydney • Taipei • Tokyo • Toronto • Zurich

Safra Republic Holdings S.A.

32 boulevard Royal
L-2449 Luxembourg

THE AMERICAS



Very briefly:

AT&T's President Resigns

NEW YORK (AP) — John Walter resigned Wednesday as president of AT&T Corp. after the company decided not to make him the successor to the chairman and chief executive, Robert Allen.

Mr. Walter went to AT&T in November from the printing company R.R. Donnelley & Sons Inc. and was touted as the next leader of the long-distance giant after it split into three companies. Mr. Walter will get \$3.8 million in addition to the \$22 million he was paid to leave his previous job.

Signs of friction between Mr. Walter and Mr. Allen emerged in the past few months. As AT&T was negotiating to buy SBC Communications Inc., there were reports that Mr. Walter would have been left out of the top management of the new company. Those talks fell apart last month.

Mr. Walter said he was "perfectly qualified" to be AT&T's CEO. "I worked tirelessly on behalf of the shareholders of AT&T," he said.

Lucent Technologies Profit Triples

MURRAY HILL, New Jersey (Bloomberg) — Lucent Technologies Inc.'s third-quarter profit almost tripled on increased sales of switches and wireless equipment to phone companies.

Net income at Lucent, the former equipment business of AT&T Corp., rose to \$213 million, or 33 cents a share, from \$72 million, or 11 cents, in the year-earlier period. Revenue rose 18 percent in the quarter ended June 30, to \$6.34 billion from \$5.36 billion.

General Dynamics Corp.'s second-quarter net income rose 19 percent, helped by the January acquisition of Lockheed Martin Corp.'s combat-vehicle and gun-systems businesses. The company, which also makes submarines, destroyer ships, tanks and combat radio systems, said its net income rose to \$80 million, from \$67 million in the 1996 quarter. Revenue rose to \$1.03 billion, from \$930 million.

ITT Plans to Split Into 3 Firms

Move Is Latest Effort to Repel a Hilton Takeover Bid

Compiled by Our Staff From Dispatches

NEW YORK — ITT Corp., in its biggest effort yet to repel a \$10.5 billion hostile takeover bid from Hilton Hotels Corp., said Wednesday that it planned to split into three separate companies.

As part of the restructuring, ITT said it would buy back 30 million shares, or a quarter of the total, for \$70 each, or \$2.1 billion. It also will spend about \$2 billion to buy back half its debt.

The new companies would consist of ITT's hotel and casino operations, which include the Sheraton chain; its telephone directory publishing business, and its technical schools.

ITT's chairman and chief executive, Rand Araskog, said the moves were "in keeping with our goal of creating current value for ITT shareholders while enhancing long-term prospects and strategic opportunities for each business."

ITT's shares jumped 4% on the news, trading late at 67 1/4. Hilton was up 3/4 at 29 1/4.

In a terse response to ITT's announcement, Hilton called the split up a "scheme" that "reflects a

value-destructive 'anybody-but-

Hilton' attitude."

Analysts applauded the move. "Not only is this a good defense against Hilton," said James Schmitt, an analyst at Westcountry Financial in San Francisco, but "it's clearly splitting apart some distinct businesses that will make investors happy."

Since Hilton opened its \$55-a-share bid in January, Mr. Araskog has fought back by selling prized assets like ITT's stake in Madison Square Garden to raise cash and bolster the stock.

ITT has "thrown the ball back into Bollenbach's court," said Peter Schoenfeld, president of PSAM Asset Management, referring to Hilton's chief executive, Stephen Bollenbach. "Now he has to come to grips with how much he is willing to pay."

ITT's remaining hotels and casinos will be renamed ITT Destinations Inc., and Mr. Araskog will be its chief executive. The telephone directory business will keep the ITT Corp. name, and the technical schools will be called ITT Educational Services Inc.

As part of its plan, ITT said it bought the 20 percent of the telephone book company it did not own from BellSouth Corp. for \$254 million in cash. It plans to sell a third of the directory company to the buy-out firm Clayton, Dubilier & Rice for \$225 million, after the split.

Separately, ITT reported second-quarter earnings of \$199 million, up from \$96 million a year ago. The 1997 results included an after-tax gain of \$116 million from the sale of its 39.8 percent stake in Madison Square Garden and a provision of \$5 million for costs associated with the Hilton offer.

Mr. Araskog said that because of its financial flexibility the split would provide more value to shareholders than Hilton could. He estimated that Hilton would have to pay \$500 million in taxes to carry out its promise to sell the telephone book business and technical school business.

It would be the second time that the company has split. In 1995, it divided into ITT Industries, a manufacturer; ITT Hartford, an insurer, and the current ITT Corp. (Bloomberg, AP)

Software Group Takes Aim at Pirates

New York Times Service

Some people in the Silicon Valley are scrutinizing the advertising industry, contending that software piracy is rampant.

The Business Software Alliance, a watchdog group, was expected to announce a \$135,000 settlement Wednesday with Lamar Corp., an outdoor advertising company, for unauthorized copying of applications such as Microsoft Word and Adobe PageMaker.

The alliance also was expected to announce it was

investigating nearly a dozen other advertising firms suspected of using copies of unpaid software.

"Piracy is pervasive in the advertising industry," said Greg Wren, corporate counsel for Adobe Systems Inc. "This sector should be a little more concerned."

Software piracy has appeared in many business segments. But some experts say it may be most widespread in the advertising industry, where many employees use desktop-publishing software and rules about copying software may be lax.

Fear of Devaluation Buffets Brazilian Stocks

By Diana Jean Schemo

New York Times Service

RIO DE JANEIRO — Nervousness about the Brazilian stock market's astronomical run-up this year, mixed with fears that the nation's currency could come under devaluation pressures like those in Asia, have created a sell-off in Brazilian shares.

After pulling back sharply in the

previous two sessions, stocks plunged 8.5 percent Tuesday, before gaining back some of their losses in afternoon trading Wednesday. The drop Tuesday also dragged down markets in Mexico, Argentina and other Latin American countries. In late trading Wednesday, the Bovespa index was up 297.65 points, or 2.56 percent, to 11,914.65.

The declines were steepest in companies such as Telecommunica-

coes Brasileiras SA, the telecommunications holding company that had been the motor of the Bovespa's stunning 93 percent run-up this year before Friday. "The market here had a propensity to fall, and it was looking for a reason," said Maria Amalia Coutinho of Opportunity, an asset-management company.

Other analysts said there had been talk of a correction in recent weeks, so a sell-off was easily ignited.

German Signals Slow Dollar Against Mark

Compiled by Our Staff From Dispatches

NEW YORK — The dollar fell against the Deutsche mark but gained against other major currencies Wednesday after German officials sent conflicting signals about Germany's tolerance of a strong dollar.

While some officials said they were not troubled by the dollar's recent surge, others said, suggesting the Bundesbank might sell dollars to lift the German currency. The contradiction left traders hesitant to push the dollar up too far too fast.

"We're still getting green lights from a variety of sources, but we also got a yellow," said Elliott Dix, chief currency trader at Signet Bank in Richmond, Virginia. "The Bundesbank gets antsy when the mark is sliding too fast. The last thing they want to see is the mark plummeting."

The dollar was at 1.7914 Deutsche marks in 4 P.M. trading, down from 1.7920 DM the day before. But the currency rose to 115.62 yen from 115.45 yen, to 1.4750 Swiss francs from 1.4735 francs and to 6.0504 French francs from 6.0475 francs.

The pound eased to \$1.6787 from \$1.6795.

Comments from the German government Wednesday soothed market fears that a central bank intervention was a certain near-term event.

A spokesman reiterated that Germany was in close contact with the Group of Seven industrialized countries in terms of foreign-exchange policy, but he also said there was no need to dramatize the currency situation and that the dollar's and pound's increases reflected conditions in those countries.

That sentiment was reiterated later by Bundesbank council mem-

ber Guntram Palm and Finance Minister Theo Waigel.

"Short-term currency fluctuations give no reason for worry," Mr. Waigel said.

"It's pure noise," said Marc Chander, senior currency analyst at Deutsche Morgan Grenfell, speaking of the German government's stated concern of a weak mark. "The true signal is that there is a very low level of concern."

The dollar's run up to a six-year high against the mark is a development that is being greeted with

FOREIGN EXCHANGE

shrugs by many economists because the dollar-yen relationship is by far the most politically sensitive in global foreign-exchange markets, they said.

The dollar's recent gains against the mark, some analysts say, stem largely from growing doubts about whether the euro, the single European currency, will be strong when it makes its scheduled debut in January 1999.

Market confidence in the euro has been shaken by signals from French and German officials that, with unemployment stubbornly high, they are reluctant to embrace the economic austerity necessary to create a disciplined and well-coordinated monetary union.

While the dollar also has risen sharply in recent weeks against the French franc and the currencies of other European nations that plan to join the single-currency scheme, it is trading about 8 percent below its May peak against the yen. The dollar also has been weak against the pound — London has opted out of the single-currency plan.

"What is happening is more for German policymakers to worry about than for the U.S. to worry about," said William Dudley, an economist at Goldman Sachs & Co. Treasury officials declined to comment for the record.

When the dollar rises against the mark and other European currencies, the implications for trade are not as dramatic — at least not politically — as they are when the dollar rises against the yen. The currency of a country with persistent large trade surpluses. Still, a rise in the dollar against European currencies could cause the U.S. trade deficit to swell by billions of dollars if the rise were sustained, said C. Fred Bergsten, director of the Institute for International Economics. (Bloomberg, Reuters, WP)

AMEX

Wednesday's 4 P.M. Close

The top 300 most active shares up to the closing on Wall Street. The Associated Press.

Stock Sales High Low Last Chg

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U. S. STOCK MARKET DIARY

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Solutions for a small planet*

EUROPE

BT's Plan to Review MCI Venture Fails To Assure Investors

Compiled by Our Staff From Dispatches

EDINBURGH — British Telecommunications PLC's share price fell Wednesday after the company said it could not make any promises about the future of its ambitious merger plan with MCI Communications Corp. before a review of the U.S. carrier's prospects.

At its shareholders' meeting, British Telecommunications affirmed its commitment to the U.S. market and to its relationship with MCI Communications, but it stopped short of saying whether it would renegotiate terms of its \$25 billion purchase of MCI.

Our strategic relationship with MCI is of key importance to us and will remain so," Sir Iain Vallance, the chairman, said at the company's

annual general meeting, which drew 930 shareholders.

"There are significant structural changes taking place in the U.S. market," he said, adding that "the consequences of these changes for any players is hard to predict."

But the statement failed to reassure investors, and BT's shares fell 7 pence to close at 446 (\$7.57).

"Until we have completed our review, we cannot give you explicit guidance as to the implications," Mr. Vallance told shareholders.

BT's review will be headed by Sir Peter Bonfield, chief executive of BT, and Jerry Taylor, chief executive of MCI.

Shareholders began calling for a renegotiation after MCI last week surprised investors by saying its local phone business could lose more than \$800 million this year, or twice as much as it had expected. It said losses could be even higher next year.

Mr. Vallance said both companies' boards were reviewing their plans in the United States, where MCI is the No. 2 long-distance provider behind AT&T Corp. BT already owns 20 percent of MCI.

MCI's warning indicates how expensive it is to compete with U.S. local operators, or Baby Bells, even 18 months after sweeping telecommunications deregulation that was designed to promote competition in the local phone business.

"We never said this was going to be easy," said Sir Peter Bonfield, chief executive of BT. "The U.S. market place is in a different place to where it was earlier in the year."

MCI blamed the projected loss on delays in entering the U.S. local phone market as a result of what it called obstruction by the Baby Bells. Analysts described BT's apparent surprise at MCI's projected loss as "disturbing."

James Golob, telecommunications analyst at Deutsche Morgan Grenfell, said he had cut his earnings forecast for the combination — to be called Concen PLC — and said BT ought to renegotiate the terms of the accord. BT had expected two years of flat earnings at MCI followed by double-digit earnings growth, he said.

(Bloomberg, Reuters, AP)

Unemployment In Britain Falls To 7-Year Low

LONDON — British unemployment tumbled to a seven-year low in June, official figures showed Wednesday.

The Office for National Statistics said the number of unemployed dropped 36,500, to 1.6 million, last month, the lowest since April 1990. The 5.7 percent jobless rate was the lowest since August 1990.

Few analysts were surprised by the data, but they said that a drop in annual average earnings growth to 4.25 percent in May, from 4.5 percent the month before, was unexpected.

But the Bank of England's new monetary policy committee expects British inflation to continue to rise because of robust economic growth.

Minutes of the committee's first meeting on June 6 showed all of its members voted in favor of raising official interest rates to 6.5 percent, from 6.25 percent.

Paris Ponders Thomson Sale

Minister Says Majority of Defense Unit Could Be Sold

PARIS — The government signaled Wednesday that it was ready to surrender its majority ownership of Thomson-CSF, a defense-electronics firm, opening the way to outside alliances while keeping an important stake in the company for the state.

Finance Minister Dominique Strauss-Kahn said no decisions had been made on the future of Europe's top defense-electronics supplier, whose planned privatization was canceled Friday by France's new Socialist-led government.

Separately, Sir Geoffrey Pattie, marketing director of General Electric Co. of Britain's defense division, GEC-Marconi, said that company was ready to form an alliance with Thomson even if it remained under state control.

Speaking after attending a hearing of the French parliament's defense committee, Sir Geoffrey said he hoped the French government would make a quick decision on Thomson-CSF after halting its privatization last week.

"We told the committee we are working with both public and private-sector companies in

France," he said. "It makes no difference. We will adapt."

GEC was one of the companies spurned by the French government in its initial privatization drive for Thomson.

Mr. Strauss-Kahn's statement was the first indication by a member of the cabinet that the government was considering letting its 58 percent stake fall below a majority to give private partners a role in the company.

"If you want to create an alliance with a partner, it is difficult to keep around 50 percent," Mr. Strauss-Kahn said after the closed-door hearing of the defense committee.

"That is why the prime minister has talked of a decisive stake and not a majority stake."

Prime Minister Lionel Jospin on Friday canceled plans made at the previous center-right government to sell the state's stake. He said a new project to convert a French defense-electronics concern around a "decisive" public share in Thomson-CSF would be launched soon but gave no details.

French newspapers have speculated this would involve the government cutting its stake in Thom-

son-CSF to 40 percent, and perhaps as little as 33 percent, by bringing in new capital but without selling any stock directly to the public.

Many reports have said the leading candidate for a minority stake in the new structure is Alcatel Alsthom, but Lagardere Group called the reports premature.

The two companies had been competing for full control of Thomson-CSF in the abandoned privatization plan.

Mr. Strauss-Kahn did not rule out lowering the state's share to 33 percent, the minimum needed for a blocking minority, but said this was not the only proposal worth considering.

"It's a good solution, but there are other possibilities," he said. "Nothing has been decided."

He said he hoped a decision would be made by year-end.

Lagardere, meanwhile, said it would not go ahead with a planned issue of 5.5 billion francs (\$907.8 million) of special bonds to finance its privatization bid.

Shares in Thomson-CSF slipped a further 1.16 percent to close at 161.60 francs after falling 3.6 percent Tuesday.

Bonn Inches Toward Deficit Goal

Compiled by Our Staff From Dispatches

FRANKFURT — The federal government's cash deficit narrowed in June for a year earlier, but economists said the improvement would not be enough to keep the 1997 deficit within the limit for Europe's planned single currency.

But Finance Minister Theo Waigel reiterated that Germany would be able to satisfy the requirement that its deficit be no more than 3 percent of gross domestic product to qualify for the first wave of European Monetary Union.

Mr. Waigel said higher-than-expected government spending this year would be offset by a surplus in the social security system and other factors.

The Bundesbank noted that the deficit narrowed in June to 670 million Deutsche marks (\$373.9 million), from a 1.3 billion DM deficit a year

earlier, according to figures the bank provided in its July monthly report.

The central bank said the improvement seen in the previous two months had continued in June.

Economists said, however, that the June deficit was a positive sign that faster growth was playing a role in improving government finances.

"Strong economic growth is finally starting to help the budget," said Holger Schmieding, an economist at Merrill Lynch Bank AG.

Cash inflows rose to 53.20 billion DM in June, from 46.35 billion a year earlier, while outflows climbed to 53.87 billion DM, from 49.48 billion DM.

But the Bundesbank noted that "unsatisfactory developments in the first quarter" meant federal income in the first six months of the year rose by just 6.5 percent while spending surged 10.5 percent compared

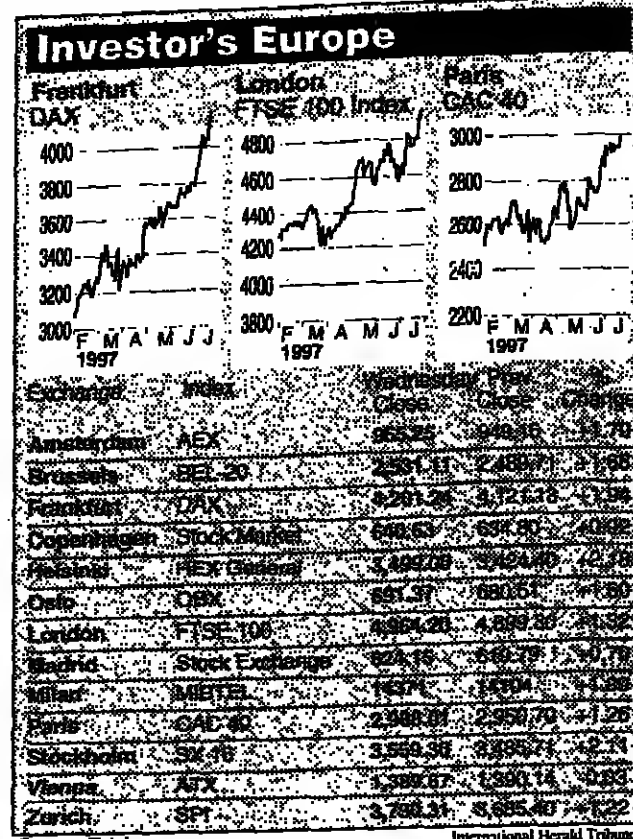
with the same period a year ago.

"We're forecasting an overshoot of the 3 percent mark," said Eckart Tufcheldt, an economist at Commerzbank. "One month's figures aren't going to change that."

To qualify for entry into Europe's currency union, scheduled to start on Jan. 1, 1999, countries must meet a number of economic targets. Germany is one of several aspiring members, along with France, struggling to meet the deficit goal laid out in the Maastricht treaty.

The French government plans to discuss measures on Thursday to curb its deficit. The Socialist-led government is due to announce the measures shortly after it releases results on Monday of a public finance audit, which is expected to show the deficit running at 3.5 percent or more of GDP.

(AP, Bloomberg, Reuters)



Very briefly:

- Renault plans to cut costs by about 20 billion francs (\$3.3 billion) by 2000. Philippe Gamba, commercial director, said the cuts were needed to make the company more effective.
- Norway's central bank, after spending almost four weeks squeezing short-term interest rates higher, lifted its deposit rate by a quarter of a point, to 3.5 percent.
- The Vatican, which says its presence in international bodies helps strengthen global economic progress, was admitted to the World Trade Organization as an observer.
- Russia took steps to create a gold market by freeing the prices at which domestic commercial banks may buy and sell bullion and preparing to allow banks to export precious metals, the central bank said.
- Switzerland posted its 12th monthly trade surplus in 14 months, a further sign that exports are pulling the economy out of a six-year slump. The surplus slipped to 57.3 million Swiss francs (\$38.9 million) in June from a revised 208.1 million francs in May.
- The Netherlands' seasonally adjusted unemployment rate rose to 5.9 percent in the second quarter of 1997 from 5.8 percent in the previous three months. Finland's jobless rate rose to 16.5 percent in June from 15.5 percent in May.
- The European Commission used an average annual economic growth rate of 2.5 percent for current EU members in its budget forecasts for 2000-2006, which covers the EU's planned enlargement period, Jacques Santer, president of the commission, said.
- Medeva PLC's first-half profit rose 35 percent, to £45.6 million (\$76.6 million), but the results were at the lower end of expectations, and the pharmaceutical company's stock fell 16 percent to 222 pence.
- Safra Republic Holdings SA's second-quarter profit rose 35 percent, to \$62.4 million. (Bloomberg, Reuters, AP, AFP, IHT)

WORLD STOCK MARKETS

Wednesday, July 16

Prices in local currencies.

High Low Close Prev.

Amsterdam

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High Low Close Prev.

Amsterdam

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ASIA/PACIFIC

Future Shock for Thai Business as Baht Floats

By Thomas Crampton
Special to the Herald Tribune

BANGKOK — Behind the darkened shop front of one travel agency along Rajaprap Road in central Bangkok, business has boomed since the Thai baht floated, but nobody is booking tickets. Buzzed through the door after a sideways glance from the boss, foreign and Thai customers line up, cash in hand, for service at one of the city's most popular underground currency-exchange centers. "Many more people have been coming to buy foreign currency since the baht floated," a woman counting U.S. dollars behind the counter said. Just around the corner, seated behind a stack of boxes, the woman running another exchange center said demand was so great last week that she ran out of dollar bills. From illegal backstreet exchange centers to bank and corporate headquarters, Thailand's easing of the exchange rate early this month

has brought with it a revolution in corporate cultures as the country adapts to a fluctuating baht from a rock-solid currency. "In the past, the currency was risk-free, but now the cost of risk has risen," said Arporn Chewakongkrai, chief economist at Deutsche Morgan Grenfell in Thailand. "It really is a big change." The result has been a sort of future shock for Thai banks and corporations as currency desks are expanded and computer equipment is updated. Employees are being trained and consultants rushed in from overseas. Executives hurriedly consider whether and how to construct hedging operations for vast enterprises long sheltered from the vicissitudes of currency turmoil. For more than a decade, the baht was pegged in a secret basket of major currencies and remained one of Asia's most stable currencies. At 8:30 A.M. each day, the central bank set a central rate around which commercial banks could buy and sell

baht. Daily volatility was limited in a band of just two satang — two one-hundredths of a baht — on either side of the central rate. On July 2, with a slowing economy and lagging investor confidence, the floor fell out of the baht when the central bank allowed it to trade freely. Since floatation, the currency has fallen as low as 30 baht to the dollar, a 15 percent depreciation from its usual level. In late Wednesday trading, the dollar stood at 29.40 baht, but some analysts expect the baht to fall as low as 32 or 35 to the dollar within six months. "Companies will have to hedge more and be much more prudent," a Bank of Thailand spokesman, Duangmanee Vongpradhip, said. "It has been a difficult adjustment for the banks, but the spread has quickly narrowed as they learned the new system." Because of a lack of experience with all-day live trading, the spread between buying and selling prices has widened from 0.09 baht before the float to as much as 4 baht, Mr.

Duangmanee said. On Wednesday the spread was down to 0.20 baht. Employees at Bangkok Bank and Thai Farmer's Bank said their corporate currency desks would soon be expanded and computer equipment updated. The currency-exchange boards in most Thai Farmer's Bank branches have been shut since July 2 because the computer system needs as much as 15 minutes to update all branches. "If there is a half-baht change in the currency, we can lose a lot of money in 15 minutes," a staff member said. Thai businesses have also faced tough changes. "This has required a fundamental change in our business operations," a Siam Cement Group executive said. One of the country's largest and most diversified conglomerates, Siam Cement's 1997 profit will probably be wiped out by \$4 billion in unhedged foreign debt. Two days after the baht was floated, Siam Cement centralized the currency operations of its eight

divisions for the first time, the executive said. More computers will be purchased and more staff hired, and consultants from overseas will be brought in to give training in currency-risk management, he said. "They have to come from another country, because nobody here knows how to do it," he said. ■ **2 Currencies Under Attack** Speculators launched attacks on the Malaysian ringgit and the robust Singapore dollar, pushing them lower against the U.S. dollar, news agencies reported. "The underlying thing is the herd instinct," Allison Seng, an analyst at MMS International, said. "One or two regional currencies gets attacked, and the others also come down." The Malaysian ringgit slid to 2.5850 to the dollar, compared with 2.5565 to the dollar Tuesday, as the central bank abstained from intervention, dealers said. The U.S. dollar closed at 1.4466 Singapore dollars, compared with 1.4412 dollars Tuesday.

Investor's Asia			
Exchange	Index	Wednesday Prev. Close	% Change
Hong Kong Hang Seng	17000	15,446.02	-0.27
Singapore Straits Times	2250	1,917.89	-0.99
Tokyo Nikkei 225	22000	2,648.49	+0.98
Sydney All Ordinaries	15000	2,358.74	+1.44
Kuala Lumpur Composite	12000	1,004.09	-0.89
Bangkok SET	1900	665.66	+6.07
Seoul Composite Index	2000	739.72	-2.03
Taipei Stock Market Index	15000	8,544.56	-0.12
Manila PSE	1200	2,587.36	-2.58
Jakarta Composite Index	1000	723.50	+0.19
Wellington NZSE 40	10000	2,477.49	+0.27
Bombay Sensitive Index	10000	4,183.42	-0.89

Seoul to Lean on Kia's Bankers

Compiled by Our Staff From Dispatches

SEOUL — The government said Wednesday it would put pressure on financial institutions to honor debts they had guaranteed for the cash-strapped Kia Group in hope of saving thousands of subcontractors from going bankrupt. "This is a crisis because of the likelihood 5,000 subcontractors will go down like dominoes," said Song Chi Young, an economist at the Korea Institute of Finance. "The impact is going to be felt throughout the economy." The financial crisis at Kia led to concern about a follow-up impact on banks and other debt-ridden companies that rocked the South Korean stock market. Investors rushed to sell shares in Kia's six listed affiliates, sending all six plunging by their one-day limits, as fears mounted over the future of the group that has been given an initial two-month reprieve by creditors. The Korea Composite Index fell 2.03 percent, or 15.33 points, to close at 739.72, and the exchange's banking subindex tumbled 5.83 percent. Kia announced a drastic plan to slim down Wednesday, a day after a consortium

of banks and financial institutions stepped in to rescue South Korea's eighth-largest business conglomerate and head off a chain of bankruptcies. But analysts said the moves were little more than a bandage and that Kia was likely to be broken up and sold off, with its carmaking flagship company possibly going to Samsung Corp. "Kia's problems potentially could do a lot of damage," said Graham Courtney, director of Asian economics at SBC Warburg in Tokyo. (Bloomberg, Reuters, AP) ■ **EU and U.S. Assist Korea on Cars** European and U.S. automakers joined forces to try to persuade Seoul to roll back a "frugality campaign" that they said was blocking their entry into the South Korean car market, Asia's largest outside Japan, Agence France-Presse reported. Camille Blum, secretary of the European Automobile Manufacturers' Association, and Andrew Card of the American Automobile Manufacturers' Association met with Korean officials but said they had made no progress. Seoul insists that the frugality campaign is a citizens' movement and has nothing to do with the government.

Very briefly:

- Hopewell Holdings Ltd.'s shares fell 3.9 percent, to 4.90 Hong Kong dollars (63 cents), after South-eastern Co. said it had sold an unprofitable power plant to the Hong Kong company. Separately, bankers said GS Superhighway Holdings Ltd., a subsidiary of Hopewell, planned to raise \$600 million to fund a road project in southern China.
- Hong Kong's Hang Seng Index added two red-chip stocks, or shares of Chinese companies listed in Hong Kong: China Resources Enterprise Ltd. and Cheung Kong Infrastructure Holdings Ltd.
- Hong Kong has the ability to build more than 100,000 apartments a year to alleviate the housing shortage, the territory's financial secretary, Donald Tsang, said. The announcement came after Tung Chee-hwa, Hong Kong's chief executive, pledged to allow construction of at least 85,000 apartments a year to deal with the shortage.
- Hong Kong's police charged Kevin Wallace, a former executive in Merrill Lynch & Co.'s private-banking unit, with money laundering but freed him after an executive from National Australia Bank Ltd. paid his bail.
- China's grain production this year will be below 1996 levels because of a worsening drought in the northeastern and central parts of the country, a State Statistics Bureau agricultural official said.
- Telekom Malaysia Bhd. plans to buy at least a 10 percent stake in Sistem Televisyen Malaysia Bhd., Malaysia's top commercial broadcaster, to try to broaden its reach in the media industry. Telekom will pay about 102 million to 107 million ringgit (\$39.9 million to \$41.9 million) to buy the stake from Malaysian Resources Corp.
- Jakarta's stock exchange plans to discontinue its practice of disclosing identities of brokers involved in each trade, a move that analysts said may make the market less transparent and could hurt trading.
- India's gross domestic product grew a greater-than-expected 6.8 percent in the 12 months that ended in March, according to a revised estimate.
- Australia joined several other countries, including the United States and New Zealand, in requesting World Trade Organization consultations over India's import restrictions on 2,700 items.
- Hitachi Ltd. plans to scale back its production of 16-megabit dynamic random-access memory microchips to cope with a slumping market, according to news reports.
- Toyota Motor Corp. is considering opening a representative office in Moscow this year and producing vehicles in Russia in the future.

Reuters, Bloomberg, AFP

Hanoi Official Urges State to Seek Private Capital

Agence France-Presse

HANOI — Finance Minister Nguyen Sing Hung has called for the creation of more joint-stock companies and the privatization of state-owned companies to try to ensure growth, a report said Wednesday. On its front page, the official Vietnam News quoted Mr. Hung as saying, "It's time for the government to push for private investment." He added, "We must accelerate the formation of joint-stock companies with shares sold largely to the population."

Mr. Hung said his idea might meet with resistance at some levels of government, including the Communist Party, which has made state-led growth a foundation stone of its industrialization policy.

"I understand this may damage the rights of some state managers and administrators," he said, "but this is the only viable way at the moment to develop the national economy." Mr. Hung's remarks came amid widespread indications that Vietnam's economy is losing steam. Its growth in industrial production tumbled to 1.7 percent in the first half from 10.3 percent a year earlier, and state-owned steel and cement plants have stockpiles of unsold output despite emergency import bans.

PEPSI: New Fast-Food Concern Plans Expansion

Continued from Page 11

In the mid-1990s, its pattern was volatility, with results tied almost completely to the success of its newest products.

Analysts predict that Mr. Novak will try to turn around Pizza Hut using methods that worked at KFC after he took over there in 1994. At KFC, he perked up the decor, instituted intensive training programs to improve service, pushed new products such as chicken pot pies and directly took on Boston Chicken Inc., by selling mix-and-match hucksters of Tender Roast chicken parts to consumers who did not want to buy a whole or half of a chicken.

Mr. Novak has already instituted a \$50 million revamping of Pizza Hut's menu, service and ambience. In addition, at KFC, he has quelled a rebellion among longtime franchisees angered at encroachment on their territory from new KFC outlets and has adopted a generally benevolent attitude toward them, in contrast to PepsiCo's old imperious ways. He is likely to do the same with franchisees for Tricon's other chains.

"David Novak is a super leader, and I made the best profit last year that I've ever had," said Pete Harman, an owner of 265 Pizza Huts in four Western states and a former plaintiff in a now-resolved franchisees' lawsuit. Mr. Harman predicted that "there will be a whole new attitude toward us in the new company."

The thrust of the company's strategy is targeted expansion and fix on the skeptics who worry about a glut of fast-food outlets. Tricon will also aim to grab more of the \$62 billion in sales in the international fast-food market, PepsiCo's restaurant business has added 700 units a year internationally in the past five years, and that process will be accelerated, Mr. Novak said. KFC already gets more than half its sales from

abroad, and Mr. Pearson said Tricon would use its large cash flow to expand overseas even more than PepsiCo did. "Internationally, we are like McDonald's back in 1980," Mr. Novak said. "Our opportunity is huge." Mr. Pearson returns to the fast-food fray after more than a decade in less consumer-driven pursuits. After resigning from PepsiCo in 1985, he lectured on competitive strategy and management at Harvard Business School until his retirement last year. In 1991, he became a principal of the New York private investment-banking firm Clayton, Dubilier & Rice Inc.

Mr. Novak is deferential toward his new boss, saying that he suggested Mr. Pearson

during the search for a chairman. "I have known him for 10 years, and I've seen him in action," Mr. Novak said, "and I'm looking forward to learning from him." Mr. Pearson, at PepsiCo's headquarters in Purchase, and Mr. Novak, in KFC's headquarters in Louisville, Kentucky, talk two or three times a day on the phone. "When we both conclude that David is ready to take over on his own, then I'll hand him the baton," Mr. Pearson said. But before he leaves, Mr. Pearson vows to prove the doubters wrong. The new company, he says, represents "a great challenge, a chance to prove to the world that this business is every bit as good as we thought it was."

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After 30.09.1997 the dividend will only be paid under deduction of 20% Japanese tax with Dfls. 4.66/ Dfls. 46.60 resp. 100 and 1,000 shs. in accordance with the Japanese tax regulations.
AMSTERDAM DEPOSITARY COMPANY N.V.
Amsterdam, July 11, 1997

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After 30.09.1997 the dividend will only be paid under deduction of 20% Japanese tax with Dfls. 11.35/ Dfls. 113.50 resp. 100 and 1,000 shs. in accordance with the Japanese tax regulations.
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Amsterdam, July 11, 1997

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Korea 0082 2 2222222 Luxembourg 00352 42222222 Malaysia 0060 3 22222222
Netherlands 0031 20 42222222 New Zealand 0064 9 22222222
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NASDAQ

Wednesday's 3:45 P.M.
The 1,000 most-traded National Market securities
in terms of dollar value, updated twice a year.
The Associated Press.

Symbol	Price	Change	Volume	Symbol	Price	Change	Volume
AA	28.12	0.00	100	MSFT	41.12	0.00	100
ABX	28.12	0.00	100	NVDA	28.12	0.00	100
AC	28.12	0.00	100	ORCL	28.12	0.00	100
AD	28.12	0.00	100	QCOM	28.12	0.00	100
AE	28.12	0.00	100	TXN	28.12	0.00	100
AF	28.12	0.00	100	UNH	28.12	0.00	100
AG	28.12	0.00	100	VZ	28.12	0.00	100
AH	28.12	0.00	100	W	28.12	0.00	100
AI	28.12	0.00	100	XOM	28.12	0.00	100
AJ	28.12	0.00	100	YH	28.12	0.00	100
AK	28.12	0.00	100	Z	28.12	0.00	100
AL	28.12	0.00	100				
AM	28.12	0.00	100				
AN	28.12	0.00	100				
AO	28.12	0.00	100				
AP	28.12	0.00	100				
AQ	28.12	0.00	100				
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AV	28.12	0.00	100				
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AX	28.12	0.00	100				
AY	28.12	0.00	100				
AZ	28.12	0.00	100				
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BP	28.12	0.00	100				
BQ	28.12	0.00	100				
BR	28.12	0.00	100				
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CH	28.12	0.00	100				
CI	28.12	0.00	100				
CJ	28.12	0.00	100				
CK	28.12	0.00	100				
CL	28.12	0.00	100				
CM	28.12	0.00	100				
CN	28.12	0.00	100				
CO	28.12	0.00	100				
CP	28.12	0.00	100				
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DM	28.12	0.00	100				
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WORLD ROUNDUP

Muster Falls on Clay

TENNIS Thomas Muster, playing for the first time since mid-June, failed Wednesday to shake his clay-court slump, losing to Albert Portas, 6-4, 7-5, in the second round of the Mercedes Cup in Stuttgart. Muster dominated on clay for two years, but he has lost eight matches on the surface this season. His rustiness showed against Portas, a Spaniard ranked No. 50 in the world.

Boris Becker, the seventh-seeded local hero who has announced his gradual retirement, beat Karim Alami, 7-6 (7-5), 7-6 (7-5). (AP)

2 Cowboys Ride Into Sunset

FOOTBALL Charles Haley and Jay Novacek, two Dallas Cowboys with eight Super Bowl rings between them, retired Tuesday because of similar back injuries.

Haley, 33, had 97½ sacks in his 11-year career and is the only player to own five Super Bowl rings. Novacek, 34, a tight end who missed last season with a degenerative back condition, caught a club record 339 passes.

"I've been fighting depression for a long time because of this injury, but you know, I've had a pretty good career," Haley said. "It's time to move on." (AP)

Cards Release Valenzuela

BASEBALL Fernando Valenzuela, the Cy Young Award winner, has been placed on unconditional release waivers by the St. Louis Cardinals.

Valenzuela, who claims to be 36, began the season with San Diego before a six-player trade on June 13. The left-hander went 0-4 with a 5.56 earned run average in five starts for the Cardinals and is 2-12 overall, leading the majors in losses. (AP)

Baggio Heads for Bologna

SOCCER Roberto Baggio said he will be moving to Serie A side Bologna next season from AC Milan. • Yuri Pohorelyak, head coach of Ukrainian premier division club Metalurh Mariupol, was banned for life Wednesday for beating up the referee and one of the linesmen who officiated over his side's home defeat Sunday. (Reuters)

An American Rider Enjoys Fling at Fame But a Frenchman Wins the Stage And a German Still Wears Yellow

By Samuel Abt
International Herald Tribune

PERPIGNAN, France — George Hincapie enjoyed about 45 minutes of celebrity Wednesday afternoon, when all was said and done, was still three times what Andy Warhol promised every American.

What if Hincapie, 24, and his three companions in a Tour de France breakaway were eventually caught? That happens constantly. The important thing

TOUR DE FRANCE

was that Hincapie, a native of New York who lives in Charlotte, North Carolina, was at the front of the race, showing the colors of his U.S. Postal Service team and attempting to leave his personal mark on the bicycle race.

Like the remaining 175 riders, all six Americans in this 84th edition of the Tour are trying to do the same as Hincapie. Their success can be measured in thin slices: Just getting through the Pyrenees and reaching the day off Thursday at the halfway mark of the three-week race is an accomplishment.

"More important than anything is just to finish this thing," said Bobby Julich, 25, a Colorado native who lives in Sacramento, California, and rides for the Cofidis team based in France.

"The Tour is a huge experience," he said. "I never thought it would be this big."

Only one American ranked among the top 10 finishers of Wednesday's stage, 192 kilometers (119 miles) downhill from the principality of Andorra to Perpignan in the southeast of France. He was Frankie Andreu, 30, a native of Dearborn, Michigan, who also rides for Cofidis. Andreu finished eighth after a mass sprint for fourth place.

The winner of the stage was Andreu's and Julich's teammate, Laurent Desbiens, a Frenchman, who was timed in 5 hours 5 minutes 5 seconds in hot and sunny weather. Carlo Finco, an Italian with MCG, was second. Sergei Outchakov, a Ukrainian with Polti, was third.

Outchakov crossed the line first in a sprint by the three after their late breakaway succeeded, but was disqualified for interfering with Desbiens. Just as the Ukraine was raising both arms in what he thought was victory, the Frenchman was raising his right hand to signify a protest. He was upheld when film of the finish clearly showed Outchakov swerving to his left to block his Cofidis rival.

The main group of pursuers crossed 18 seconds later, and Frederic Moncassin finally recorded the sprint "victory" he has sought all year. Too bad for the Frenchman it was for fourth place.

Jan Ullrich, a German with Telekom, continued serenely in the overall leader's yellow jersey by 2:38 over Richard Virenque, a Frenchman with Festina. Abraham Olano, a Spaniard with Banesto, is third, 4:46 behind.

Overnight, Virenque was docked with a 20-second time penalty for receiving water illegally from his team car near the finish and then absolved. Judges ruled that the water had been poured over his head — legal — and not given him to swallow — a criminal act.

In addition to Julich and Andreu, the nine-man Cofidis team includes Kevin Livingston, 24, a native of St. Louis who lives in Austin, Texas. With Hincapie on U.S. Postal Service are Marty Jemison, 32, of Salt Lake City and Tyler Hamilton, 26, of Massachusetts.

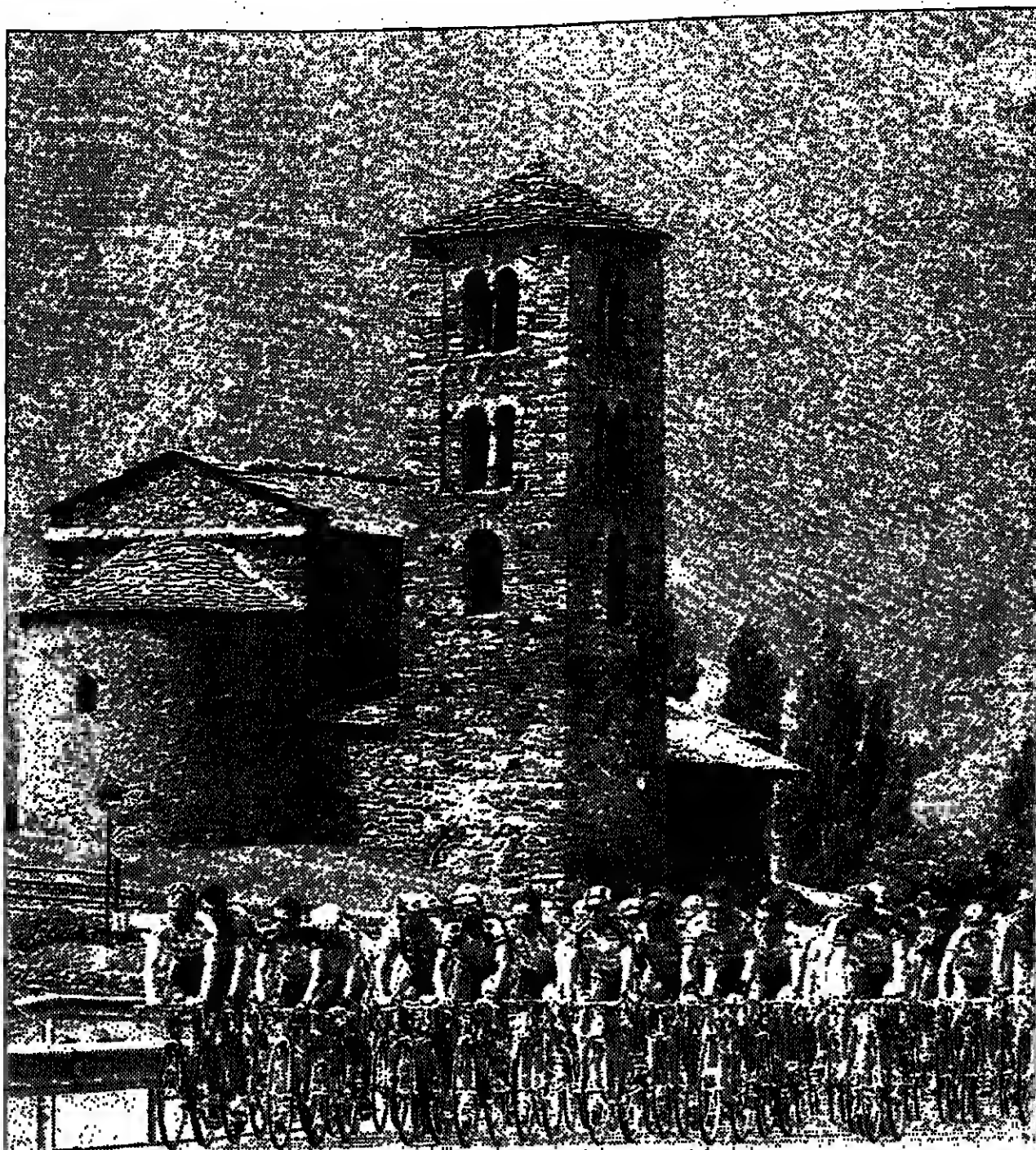
Andreu is riding his sixth Tour de France and has finished all so far, a testimony to his toughness. Hincapie is in his second Tour, and the others are in their first.

Their roles vary, according to team. U.S. Postal Service has two leaders, Slava Ekimov on the flat and Jean-Cyril Robin in the mountains, and the Americans ride support for them.

"My job is to make sure Robin arrives in good position at the first climb," Jemison explained. "I have to give him everything I've got."

Cofidis, however, has no leader since Tooy Rominger broke his collarbone in a crash last week and withdrew. So Julich, Livingston and Andreu are more free to ride for themselves.

Overall, after this 11th of 21 daily



The Tour de France pack climbing out of Andorra up the Envalira pass toward Perpignan on Wednesday.

stages, Livingston ranked 33d; Julich, 40th; Jemison, 73d; Hamilton, 78th; Andreu, 80th, and Hincapie, 132d. Livingston and Julich, the two strongest climbers in this group, were impressive in the second of two stages in the Pyrenees on Tuesday, finishing 15th and 23d respectively.

"I needed to find my legs and I didn't until the second or third climb of the first

day in the Pyrenees," Julich said before the start Wednesday. "By then it was too late."

"Yesterday I felt much better. When I realized I wasn't going to make top five or top 10, I saved myself a little bit."

"Today I feel fine. I think my legs are going to feel better for the time trial and the Alps."

A loog and uphill time trial, or individual race against the clock, is scheduled Friday. The Alps begin Saturday.

Julich summed up the Americans' general feelings: "Going up those climbs yesterday, it was like 'Wow! I'm having goose bumps thinking I'm in the Tour de France, it's one of the hardest stages in years and I don't feel so bad. This is good.'"

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Herald Tribune
THE WORLD'S DAILY NEWSPAPER



Scots Await a Champion of Their Own Can Montgomerie Win at Home? The Answer Is Blowing in the Wind

By Ian Thomson
International Herald Tribune

TROON, Scotland — The wind that carved out the character of Scotland, incidentally creating golf, blows now in salty puffs across the Scotsman's chair. On Thursday he will try to calm himself against the bluster and tie up the strings of his upbringing in a fast and pretty bow.

There's nothing that's secret about the fact that I

OPEN GOLF

know my way around here, and I know what I'm doing on this golf course," Colin Montgomerie, the 34-year-old Scot, said as he readied himself for the 126th British Open, which begins Thursday and ends Sunday. "It's just a matter of trying to go out there and prove it. It's sort of obvious I'm O.K. physically and technically. It's just mentally whether I can cope with the

public pressure, and the pressure that's been put on, and the pressure, with all respect, by yourselves." He was speaking to the reporters who had filled a tent to hear him speak with such painstaking honesty. This predicament is best understood going backward. Montgomerie for the last two months has been playing the best golf of his career. He has never, despite three extended challenges, most recently last month at the U.S. Open, never won a major championship. As a teenager he grew up about 150 yards from the links of Royal Troon, which he has played "thousands of times." Because he seems to understand the course so well, he has been challenged to become the first "real" Scot to win the British Open since James Braid in 1910.

Montgomerie seemed to be of two minds about the weather he grew up with. The top player in Europe for the last four years, availed of the most scientific equipment and train-

ing, and a freckled orange tan that no Scottish summer could produce, he was asked a few days ago how much wind he would like to find blowing at Troon. "None, really," he said. "I like this type of weather." It was calm at the time.

"If you go to Augusta you'd never see a weed like that. But it's the weeds that help make this course."

Soon after he arrived at Troon, his feelings changed as surely as the coastal gales. "Possibly it would favor me if it remains breezy, because I happen to know, I've played this course in all types of conditions," Montgomerie said. "Possibly in practice some people are only going to play the course when the wind is blowing in one particular direction, but this isn't the direction it usually blows."

When the wind blows as it has done throughout the practice rounds this week, it tends to relieve the game of its swagger, its sense of self-importance. It then becomes the game the Scots invented in the first place some four or five centuries ago. They seem to be the same people they've always been, unimpressed by fads and other such trends. On such issues Robert Burns, the poet of two centuries ago, still speaks for them.

"He expressed what every Scotsman loved to express," said Joe Campbell, a marshal who is supervising holes 1, 2, 17 and 18 at the Open. "He was a man of enormous weaknesses, but he was totally devoid of hypocrisy."

Campbell, besides being a member of Royal Troon, is also honorary president of the World Bums Federation. With his umbrella he pointed across the first fairway at a pair of hunkers.

"These are not man-made bunkers," he said. "Bunkers like these were here already. They were holes in the ground with sand in them blown in from the beach. When they started playing golf the players played around them. Then with his umbrella the

Burnsman pointed at his feet at a loog weed. "If you go to Augusta in America, which really is a beautiful, gorgeous course, you'd never see a weed like that," he said. "But it's the weeds that help make this course, and it's the weeds that Burns celebrated. The daisy, the thistle, the mouse — all of the ordinary things people never mentioned, these were the things he wrote about. He wrote about nature."

The sea was brown and white-capped at his back, and all before him Royal Troon, seemed relatively empty. On such a practice day at the U.S. Open, the course would have been sold out and overwhelmed. Here, the players were being told that they would be attended when the score was kept and before that they were important, crucially, for what they did, as opposed to who they are.

Since World War I there have been three British Open champions of Scot blood, but two — Jack Hutchison (the 1921 champion) and Tommy Armour (1931) — had already moved overseas and become U.S. citizens, and the third, Sandy Lyle (1985), was born in England and represented England internationally. So it all comes down to Montgomerie, who has missed the cut in four of his last five attempts at the British Open. His competition will include a field of peaking major champions — Tiger Woods, Ernie Els, Greg Norman and Tom Lehman, the defending titlist.

If he is in contention on Sunday, Montgomerie will have to take on a back-nine as difficult when the wind is blowing as any finishing holes in major championship golf.

Adding to the expectations will be the mirroring footsteps of his father, James Montgomerie, the club secretary of Royal Troon who is retiring next month and has promised to follow his son this week for as far as the tournament takes them. If the Scotsman wins, which is to hope against hope, his every shot will be traced back through his father, along the contours of the old grazing land that became his father's course, back through the enduring spirit of the farmer poet, and into the face of the carving wind.

